

ARD / CAPP COLOMBIA AGRIBUSINESS PARTNERSHIP PROGRAM



FIRST QUARTER REPORT FY '05 OCTOBER TO DECEMBER 2004

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**Report Prepared for the United States Agency
for International Development**

**Colombia Agribusiness
Partnership Program**

**First Quarter Report
FY '05**

January 2005

Work Order No. 820
“Rural and Agricultural Incomes with a Sustainable Environment (RAISE) IQC”
USAID Contract No. PCE-I-00-99-00001-00



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Acronyms

APS	Annual Program Statement
ARD	Associates in Rural Development, Inc.
CAPP	Colombia Agribusiness Partnership Program
CCN	Cooperating Country National
DCA	Development Credit Authority
IR	Intermediate Result
MOU	Memorandum of Understanding
RBP	Request for Business Plans
SO2	Strategic Objective #2
TBD	To Be Determined
USAID	United States Agency for International Development
LOP	Life of Program

1. Executive Summary

CAPP's objective is to help Colombian private sector customers develop and sustainably implement large, agribusiness projects that provide an alternative source of licit family income, establish a substantial quantity of new hectares of licit crops and provide significant employment opportunities in geographic areas susceptible to illicit production. CAPP is being implemented through a five-year, US\$38 million USAID/Colombia contract with Associates in Rural Development, Inc. (ARD) of Burlington, Vermont, USA.

The process CAPP uses to efficiently and effectively assess and develop proposals started with a potential customer responding to the CAPP Annual Program Statement (APS)/Request for Business Plans (RBP). Also, several proposals were assigned to CAPP by USAID as a result of a joint USAID/Plan Colombia convocatoria. Concept papers and proposals received were then guided through a four-step process - Screening, Assessment, Development, and Implementation. Before a proposal can be passed into the next stage in the process the Review Committee, composed of USAID and CAPP senior staff, must approve it using pre-established evaluation criteria.

As of 31 December 2004, CAPP had received 128 proposals via our APS/RBP (119) and the USAID/Plan Colombia convocatoria (9, hereafter called Plan Colombia proposals/Projects). All proposals received have been screened and Assessed, 98 were rejected or put into Inactive Status, 3 are still in Development and the Review Committee has passed 27 into Implementation. The 27 Projects passed into Implementation involve cotton, fruit, African palm, cacao, fique, banana, tamarillo and chili peppers, will require \$20.4 million (or 12.5%) in CAPP support out of a total investment of \$163.1 million, will result in the planting of nearly 50,000 hectares of new land in or near where coca is currently grown, will positively benefit more than 12,500 families and will create over 6.2 million new workdays.

Aggressive development of the challenging Plan Colombia proposals resulted in three of the nine active proposals being passed into Implementation. Therefore, all but one of the active Plan Colombia proposals has been passed by the RC. Three of the Plan Colombia proposals were merged into one grant that was signed in the Quarter, so three of the nine active Plan Colombia proposals have been signed. Other CAPP proposals were also progressed; six were passed into Implementation by the Review Committee and seven were signed. Six modifications of early grants, to modify the payment method and/or provide no-cost time extensions, were also signed.

Challenges to the rapid and smooth forward movement of CAPP that were resolved during the Quarter included; working with USAID to resolve issues such as uncertainty regarding pre-award costs, grants to Colombian government related entities and other potential grantees; FINAGRO resistance to 100% guarantees for cacao proponents; the declining value of the US dollar; weak implementation and cost justification by a multi-project operator; and the lack of forward contracts for cacao Projects.

The major area of focus for the next Quarter, and assuming a \$3.5 million Supplemental Funding increase in Sub-contracts and Grants from USAID, is passing four additional projects into Implementation for a total of 31. The total investment in these 31 Projects will be \$182.2 million and CAPP's participation \$23.2 million, or 12.7% of total new investments. This is excellent leveraging and therefore use of CAPP/USAID resources. The 31 Projects will result in an increase of around 54,875 hectares of land in use for new, licit agricultural production or new, legal crops in previously illicit crop areas, an estimated 13,502 families directly will benefit from new, legal income creation and more than 6.5 million new workdays will be created in licit activities.

Other key areas of focus for the Second Quarter include: signing at least six new grants; providing no-cost time extensions to two grants; working with the proponents of former Fundalianza-operated projects and proposals to finalize how those activities that were going to be implemented by Fundalianza will be performed; compete and sign at least two financial auditing IQC-type agreements and establish a Project auditing schedule; resolve the Peso conversion issue for both project budgets and staff salaries; fully activate and begin utilization of the MERA system; officially receive the two new Tibú Projects, including the resources needed to implement them; and complete the design of and initiate implementation of the REVA system.

Financial projections indicate that CAPP will need an increased Obligation from USAID in the Third Quarter FY '05. Assuming the indicated \$3.5 million Supplemental Funds are approved, CAPP will have sufficient funds to fully implement all projects to be signed by the end of the Third Quarter FY '05. Based on current projections, CAPP projects will achieve: 10,422 families benefiting from licit productive activities in coca areas, 3,080 families benefiting from licit productive activities in poppy areas, 52,519 new hectares of licit crops supported in coca areas and 2,356 new hectares of licit crops supported in poppy areas.



2. Background and Proposal Development and Project Implementation Processes Overview

2.1. Background

The Colombia Agribusiness Partnership Program (CAPP) was designed to further USAID/Colombia's Strategic Objective 2: Promote Economic and Social Alternatives to Illicit Crop Production. The objective of CAPP is to help agricultural producers and others involved in illicit products shift into legal activities or remain uninvolved in illicit coca and poppy production.

This shift is being accomplished by providing responsible, larger, new and already existing Colombian agribusinesses with an effective combination of financial, training and technical support services to help them develop new or significantly expanded businesses ("Projects") that will increase and sustain income opportunities in or near areas where illicit crops are produced. CAPP provides 1) pre-implementation technical assistance and training needed to produce commercially viable business plans, 2) linkages with other sources of development and implementation support, 3) technical assistance and training to support Project implementation and 4) "up-front" financial assistance to facilitate Project implementation.

These new business and income opportunities will draw people away from involvement in illegal activities while sustainably strengthening the Colombian private sector. CAPP can also develop productive infrastructure ("Activities") in municipalities where CAPP-supported Projects are implemented, and may provide resources to assess and promote changes in policies that would be beneficial to CAPP Projects and private sector-driven alternative income generation.

CAPP is being implemented through a five-year, US\$38 million USAID/Colombia contract with Associates in Rural Development, Inc. (ARD) of Burlington, Vermont, USA.

An important underlying principle of CAPP is that we are a *catalyst* to help our *customers* develop and sustainably (financially, environmentally, socially, and managerially) implement Projects that meet CAPP objectives. CAPP is not a direct participant in Projects, or the main source of support for Projects. CAPP is helping private sector customers develop and sustainably implement Projects *they want to do* that are consistent with CAPP's objectives.

The information presented in this Quarterly Report is for the first 23 months (late January 2003 to 31 December 2004) of CAPP in order to coincide with USAID's reporting cycle. All references to Quarter in this report relate to USAID's Fiscal Year, i.e., First Quarter is October 1 – December 31, Second Quarter is January 1 - March 31, Third Quarter is April 1 - June 30 and Fourth Quarter is July 1 - September 30.

2.2. Proposal Development and Project Implementation Processes Overview

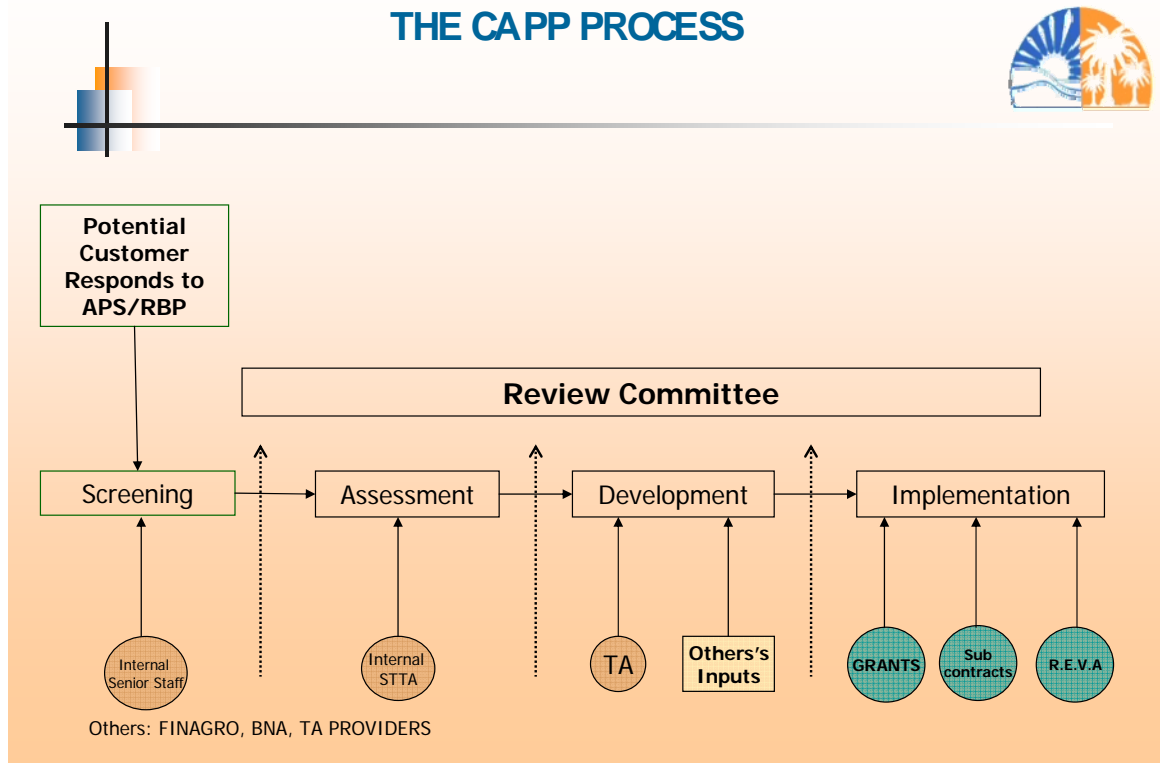
The process CAPP uses to efficiently and effectively assess and develop proposals started with a potential customer responding to the CAPP Annual Program Statement (APS)/Request for Business Plans (RBP). Concept papers and proposals are then guided through a four-step process. These steps are Screening, Assessment, Development, and Implementation.

Before a proposal can pass into the next stage in the process, the Review Committee must approve it using pre-established and weighted criteria. The Review Committee is composed of USAID and CAPP senior staff, and uses pre-established criteria to evaluate each proposal. See Figure 1 below for an illustration of the CAPP process.

Screening, which has now been completed for all CAPP proposals, was done exclusively by CAPP long-term agribusiness professional staff. Each proposal that was screened and passed into Assessment by the Review Committee was assigned a Coordinator, managed by a CAPP Task Force Leader, who is

responsible for expediently, efficiently, and effectively moving the proposal through the system. Outside technical assistance is provided directly or via customer reimbursement as needed to support Assessment and Development.

FIGURE 1
THE CAPP PROCESS



Technical and up-front financing assistance is used to support successful implementation of approved Projects. Implementation is usually supervised by the same Coordinator, operating under the guidance of a Task Force Leader that helped the proponent develop their proposal into a Project. CAPP is developing a Review, Evaluate, Verify and Advise (REVA) system for signed Projects, and currently uses monthly invoice payment documentation as well as progress reports for each type of supported activity as a means of enforcing project implementation information flows and monitoring implementation progress.

The objective of the combined development and implementation efforts is to identify, develop and support Projects that will have a sustainable and positive impact on economic alternatives to participation in illicit crop production. To achieve our objectives during the Quarter we continued to place emphasis on developing and bringing to Implementation good Projects. To do this we worked closely with the other necessary sources of support to “fast track” those proposals with the highest potential. These other sources of support included Finagro for customer loan guarantee approval, commercial banks such as Banco Agrario, for rapid customer financing approval, USAID for Environmental Review approval and external sources of technical assistance. All of these sources of support are necessary to expediently develop the information needed to confirm potential Projects’ financial, managerial, social and environmental sustainability, and then launch the Project. Therefore, the speed at which CAPP can develop a potential Project is greatly dependent on the other supporters of that potential Project.

3. Significant Accomplishments during the Quarter

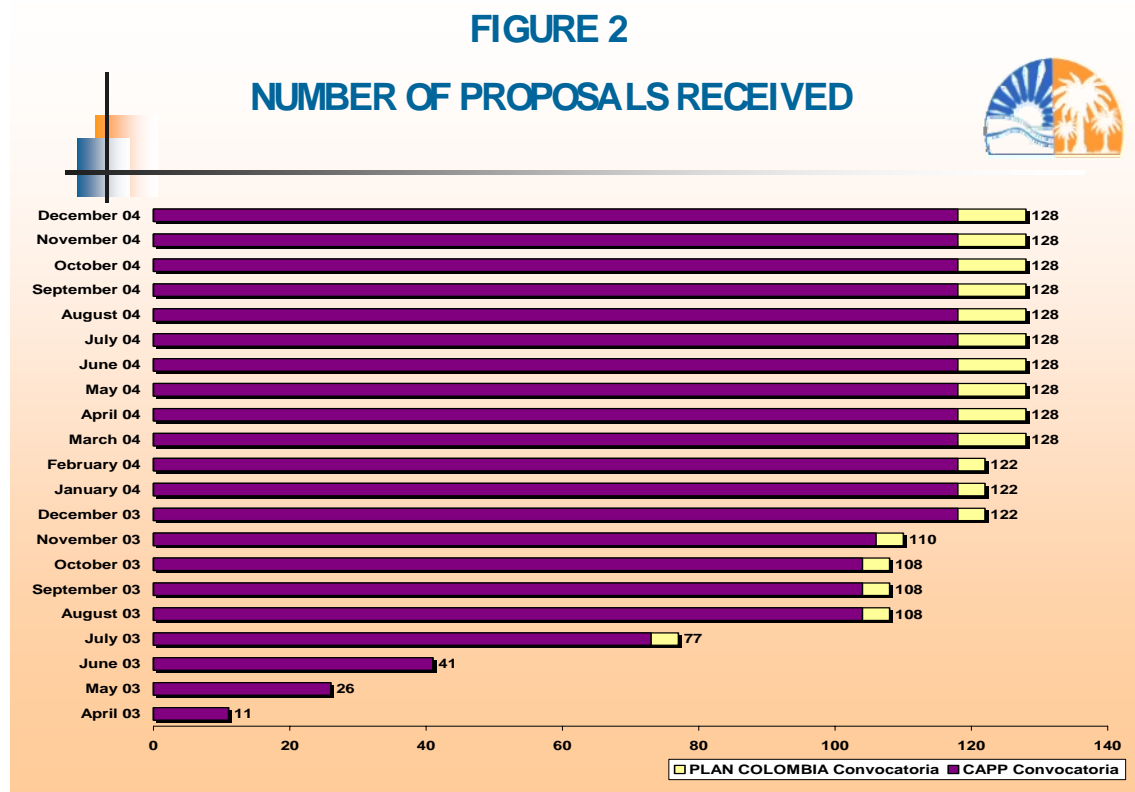
3.1. Overview

As can be noted in Figures 6 and 7 below, CAPP's average percentage contribution to the total cost of a potential project or Project that was in Development and Implementation at the end of the First Quarter was 25.2% and 12.5% respectively. This means that if the proposals currently in Development are passed to Implementation, plus those already in Implementation, a CAPP investment of \$23.5 million, if funding is available, would stimulate total new investments of \$175.3 million in agriculture/agribusiness Projects located in or near areas where illicit crops are grown. This represents excellent leveraging (13%) of USAID resources.

Now that 27 Projects have been passed into Implementation, significant focus has been shifted to completing the agreements, most often grants, associated with the support CAPP will be providing to these Projects, and helping customers begin implementation of their approved Business Plans. However, we continue to emphasize moving additional proposals through Development so that an optimum number of the original CAPP and Plan Colombia Projects can be launched by the end of CAPP's second year, or January 23, 2005.

3.2. Proposals Received

In the First Quarter CAPP did not accept any new proposals since our portfolio is closed. Therefore, as of December 31, 2004, CAPP had received a total of 128 concept statements or proposals from potential clients in response to our three APS/RBPs and the Plan Colombia/USAID convocatoria proposals (Figure 2). The initial CAPP APS/RBP had an expiration date of 15 July 2003, the second more specific APS/RBP expired 31 August, and the last, even narrower and more specific APS/RBP expired on 31 December 2003. Of the total number of proposals received by CAPP, 118, or 92%, were in response to CAPP APS/RBPs and 10, or 8%, were from the Plan Colombia/USAID convocatoria.



3.3. Proposal and Project Development Results

3.3.1 Screening

During Screening, CAPP internal agribusiness specialists evaluate the potential for a proposal to meet pre-established CAPP screening criteria. During the First Quarter no proposals were still in the Screening. Therefore, all 128 proposals received as of 31 December, not including the five proposals Plan Colombia convocatoria proposals received in March '04, have been screened. Fifty-one of these non-Plan Colombia proposals were passed from Screening into Assessment, 40 were Rejected during Screening, and 31 were placed on Inactive status from Screening waiting for actions outside of CAPP's control. Most of the proposals that have been turned down were rejected because of their small size, or characteristics inconsistent with CAPP's objectives. On a LOP basis, 42% of proposals Screened have passed at least into Assessment.

3.3.2 Assessment

During Assessment CAPP Coordinators work with potential customers, and possibly other potential project supporters such as FINAGRO and the BNA, to gather more details on the potential project and assess its prospects based on a pre-established set of assessment criteria. Two proposals were in Assessment during the First Quarter. Proposal #089 was moved to Inactive, and #117 was moved directly from Assessment to Implementation given the advanced status of the proposal and the precedence set by proposal #041.

For the LOP, of the 53 proposals approved into Assessment, 36 completed Assessment, were presented to the Review Committee and were passed into either Development or Implementation. Therefore, all Assessment stage proposals presented to the Review Committee were passed into Development. Seventeen proposals were either Rejected or put on Inactive status from Assessment. Given that CAPP Coordinators, and/or other CAPP staff have done all the work regarding proposal Assessment, no outside technical assistance has been used for Assessment.

3.3.3 Profiles of Active Proposals and Projects

The following section provides information on proposals and Projects that have passed both Screening and Assessment and were in either Development (3) or Implementation (27) at the end of the Quarter. These are called CAPP's active proposals and Projects.

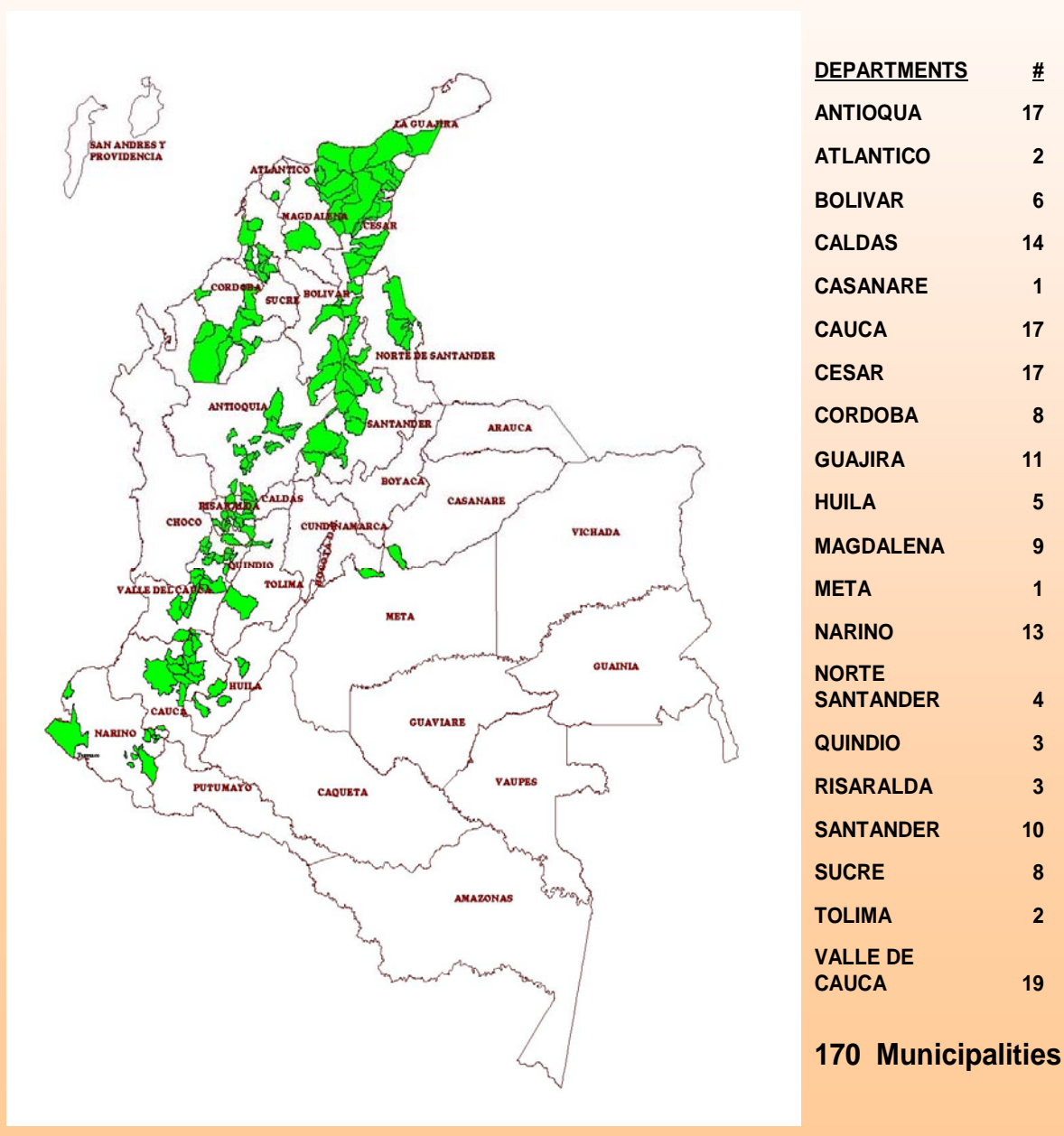
By Geographic Area

As illustrated in Figure 3, the 30 proposals and Projects that are presently active, i.e., are in Development and Implementation, including Plan Colombia convocatoria proposals that were accepted directly into Development are located in 170 different Municipalities and 20 different Departments in or near where coca or poppies are currently grown.

It is interesting to note that there is considerable overlap between USAID's new areas of geographic focus and the location of active CAPP proposals and projects.

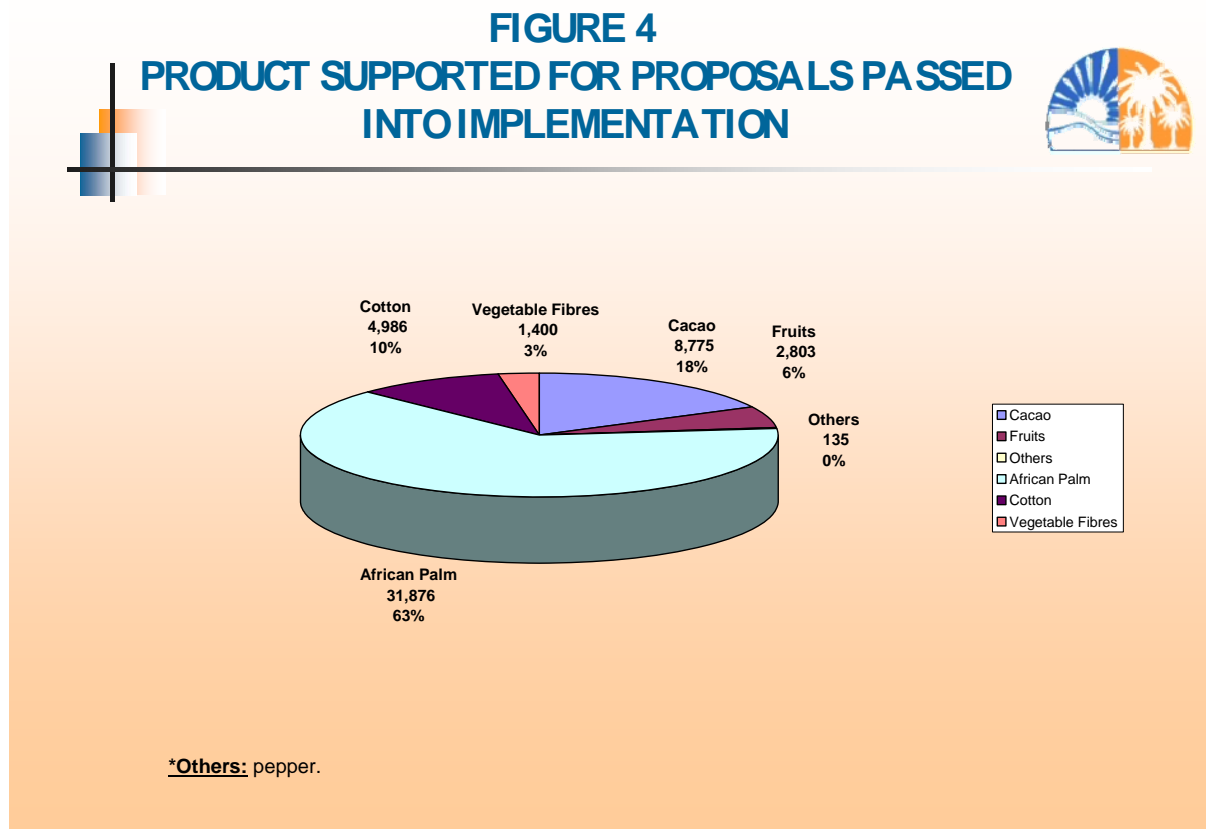
FIGURE 3

NUMBER OF PROPOSALS BY GEOGRAPHIC AREA FOR ENTIRE CAPP PORTFOLIO



By Product Produced

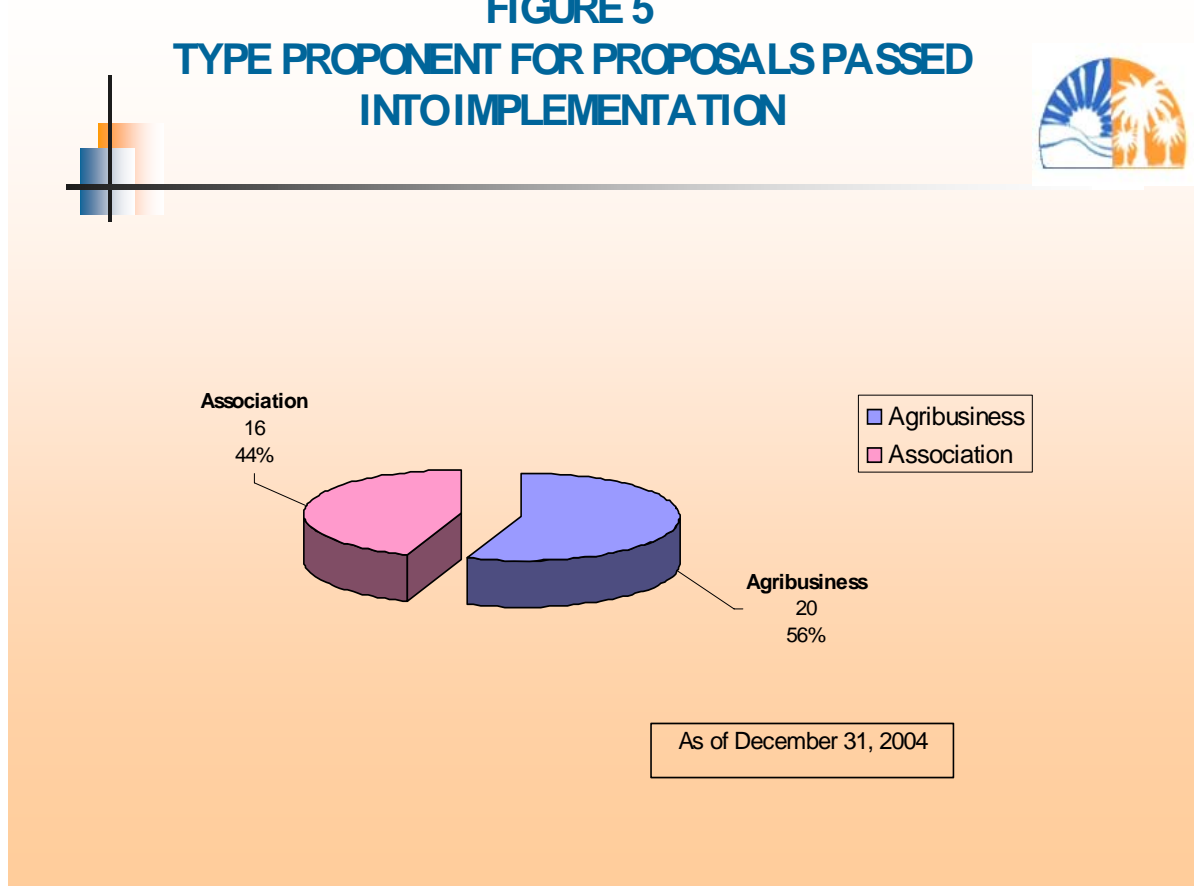
Figure 4 shows the distribution of hectares to be planted for the six main product categories of the 27 Projects in Implementation, with African Palm (63%) and cacao (18%) being the most numerous. Including fruits, more than 87% of CAPP's support is for the development and implementation of projects involving long term crops. This emphasis is positive from the standpoint of the period of time the land will not be available to plant illicit crops, but does mean that the time required to develop these projects is quite lengthy. These longer term crops require an extensive development period and do not produce marketable output for several years. Therefore, sources of sustenance income, such as short-term crops, during the years before the main crop will be in production are often included in the project structure. This is the case for cacao that uses plantain production in the first three years as a cash crop.



By Type Proponent

As can be noted in Figure 5, active proposals and Projects are from both agribusinesses (56%) and producer associations (44%). Agribusiness proponents are generally interested in backward integration and/or an increased or more secure source of raw materials. Producer Associations are most often interested in forward integration and/or securing an assured market for their output, and thereby a source of financing to expand their operations.

FIGURE 5
TYPE PROPONENT FOR PROPOSALS PASSED
INTO IMPLEMENTATION



3.3.4 Development



During Development, the full business plan, financial projections, agreements, and detailed implementation plans, including M&E and environmental protection, required for the potential Project are drafted in preparation for Implementation. Of the 14 proposals that were in Development during this quarter, 13 were in the phase at the beginning of the quarter and one entered from the Assessment phase. Six proposals completed the Development phase and where passed into Implementation.

During the Quarter, substantial work was done to prepare the 14 proposals in Development for Implementation. During the process of developing a proposal, i.e., as the technical, managerial, financial, and environment analysis and the compliance work proceeds, the size and level of detail in the Project Description increases and usually reaches around 30 pages. Some outside technical assistance was utilized for this work.

As of 31 December, CAPP has utilized three Fixed Obligation Grants and two Purchase Order to enable potential customers (Fedecacao - #001, Fedecacao - #007, Agrofrut - #012, Empaques del Cauca - #027, and #065 - E.A.T Agrocultivos de Yuca) to acquire needed technical assistance. The total value of these agreements is \$175,640.

Three proposals were still under development at the end of the First Quarter FY'05. A brief description of these potential Projects is shown in Figure 6. The total cost and CAPP's share of these potential Projects may change before the end of Development. Therefore, the implied \$3.1 million or 25.2% of total investment, CAPP contribution is likely to change.

FIGURE 6
PROPOSALS IN DEVELOPMENT PHASE

PROPOSAL NUMBER	DESCRIPTION	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	EMPLOYMENT GENERATED (workdays)
DEVELOPMENT								
65	2,000 ha of industrial yucca (aka 'manioc' or 'cassava') near Barranquilla	YUCCA	\$4,265	\$800	18.8%	2,000	250	NA
80	1,723 ha of rubber trees, for natural rubber production	RUBBER	\$3,367	\$880	26.1%	1,723	200	NA
127	1,200 ha of cacao, in Norte de Santander.	CACAO	\$4,537	\$1,385	30.5%	1,200	240	NA
	TOTAL:	3	12,169	3,065	25.2%	4,923	690	

Total: 3 proposals

As of December 31, 2004

3.3.5 Implementation

Implementation begins immediately after the Review Committee approves a Project into Implementation. The grant or subcontract is then prepared and submitted to AID for Technical and Contract Office approval. The full set of documents submitted to USAID will reach 60 - 100 pages. After USAID approves the support instrument, Implementation agreements, currently 24 – 36 month Standard Grants, with our customers are signed and Project support can be then provided. CAPP continues to play a significant role in the Project by managing Grant or Subcontract disbursements, and monitoring Project results via their M&E and Environmental Management programs as well progress reports submitted for each supported activity. The new REVA system under development will significantly enhance CAPP's "fingers on the pulse" of Projects in Implementation.

During the First Quarter Development was completed on six Projects, and all were formally passed into Implementation by the RC. A summary of all 27 Projects that have been passed into Implementation is shown in Figure 7. As can be noted from this figure CAPP will be committing \$20.4 million, or 12.5% of total investment, to these Projects while other supporters will be investing \$142.7 million. The projected number of hectares and families positively impacted by these 27 Projects will be nearly 50,000 and 12,500 respectively, and more than 6.1 million workdays of employment will be created over the term of CAPP's support.

FIGURE 7

PROPOSALS IN IMPLEMENTATION PHASE

CAPP PROPOSAL STATUS REPORT AS OF DEC. 31, 2004

PROPOSAL NUMBER	DESCRIPTION	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	EMPLOYMENT GENERATED (workdays)
IMPLEMENTATION								
12	670 ha. of fruit, for fruit pulp production for Colombian and foreign markets	FRUIT PULP	\$4,827	\$493	10.2%	670	1,005	262,013
23	1,483 ha. of passion fruit near the Atlantic coast	PASSION FRUIT	\$7,038	\$666	9.5%	1,483	813	459,200
25	800 ha. of fique in Caldas, Nariño and Risaralda	FIQUE	\$1,228	\$236	19.2%	800	1,334	80,000
27	600 ha. of fique in Cauca	FIQUE	\$1,024	\$137	13.4%	600	1,000	77,970
29	135 ha. of chili peppers for export	PEPPERS	\$1,102	\$142	12.9%	135	1,318	511,424
31	1,130 ha. of African palm near Santa Marta	PALM	\$2,072	\$297	14.3%	1,130	111	40,680
32	1,560 ha. of African palm near Santa Marta	PALM	\$2,856	\$223	7.8%	1,560	91	58,500
35	2,000 ha. of African palm in Bolivar	PALM	\$5,657	\$799	14.1%	2,000	200	137,050
40	600 ha of cacao in Huila	CACAO	\$5,743	\$928	16.2%	600	180	137,280
41	4986 ha of cotton, near Valledupar, Cesar	COTTON	\$4,688	\$218	4.7%	4,986	274	322,296
45	2,100 ha. of African palm in Magdalena Medio	PALM	\$5,033	\$1,191	23.7%	2,100	210	83,865
46	1,000 ha. of cacao in La Gloria, Cesar	CACAO	\$4,634	\$1,271	27.4%	1,000	400	240,000
48	510 ha of cacao in Huila	CACAO	\$2,538	\$635	25.0%	510	100	145,656
50	400 ha. of African palm in Magdalena Medio	PALM	\$962	\$146	15.2%	400	100	25,388
52	10,000 ha of African palm trees via 'securitization'	PALM	\$32,284	\$856	2.7%	10,000	1,250	480,000
56	1,132 ha. of African palm in Cesar	PALM	\$3,177	\$257	8.1%	1,132	141	64,786
64	3,054 ha. of African palm, near Tumaco, Nariño	PALM	\$9,803	\$909	9.3%	3,054	436	259,187
79	2,000 ha. of organic cacao near Santa Marta	CACAO	\$7,642	\$780	10.2%	2,000	524	184,500
82	400 ha. of bananas near Santa Marta	BANANA	\$2,821	\$316	11.2%	400	276	52,818
95	250 ha. of tree fruit 'tomate de arbol' in Cauca and Huila	TOMATE DE ARBOL	\$1,161	\$98	8.4%	250	250	55,925
117	1,500 ha of cacao in Antioquia	CACAO	\$ 9,783	\$ 1,308	13.4%	1,500	600	432,000
119	5,000 ha of African palm in Magdalena Medio	PALM	\$11,891	\$1,791	15.1%	5,000	700	493,216
123	1,500 ha. of cacao in Norte de Santander	CACAO	\$6,242	\$1,308	21.0%	1,500	300	279,940
124	1,665 ha of cacao, in Norte de Santander	CACAO	\$7,411	\$1,323	17.9%	1,665	333	519,490
125	4,000 ha. of African palm trees in Tibu, Norte de Santander	PALM	\$12,330	\$2,383	19.3%	4,000	400	412,800
125P	African palm crushing plant near Tibu, to process palm fruit from projects #125 and #126	PALM	\$4,397	\$589	13.4%	-	32	220,320
126	1,500 ha. of African palm in Tibu, Norte de Santander	PALM	\$4,783	\$1,105	23.1%	1,500	150	140,100
	TOTAL:	27	163,127	20,405	12.5%	49,975	12,528	6,176,404

Expanded Description of Projects Passed Into Implementation

Following is a brief profile of the six Projects passed into Implementation in the First Quarter. See Appendix 4 for an overview of the 21 Projects previously passed into Implementation.

Corporación Solidaria Nanyanva – Project #040

The Project objective is to plant 600 hectares of cacao, directly benefiting 205 families. One hundred eighty grower-families will be involved, who are members of four grower associations located in the municipalities of Yaguará, Aipe, Tello and Tesalia, in the Department of Huila. An additional 25 families will also directly benefit via employment in a new chocolate factory linked to this Project, bringing the total families directly benefiting to 205.

The buyer of the Project's cacao, Tolimax, will build a new cacao processing plant that will allow it to process a greater volume of cacao than it can do so presently. Therefore, linking Tolimax (and its increased processing capacity) with the growers will provide additional raw material for Tolimax' increased capacity, and provide growers with an assured market for their product.

The Project proponent and operator is the NGO "Nanyanva", which was selected given its experience in the implementation of agricultural Projects in the region.

CAPP will provide a 30-month Standard Grant to Nanyanva for US\$928,118, to support both the agricultural and industrial portion of the project. These resources are equivalent to 16% of total project cost, and will be used to pay the costs of agronomists, administrative assistance; technical, managerial and environmental training; agriculture studies, industrial studies and designs, FAG guarantees and fiduciary services. The grant will close no later than September 30, 2007.

Fundación del Alto Magdalena - Project #048

The objective of this Project is to plant 510 hectares of cacao in the municipalities of Tarqui and La Plata, in the Department of Huila. One hundred (100) families will directly benefit via the participation of two grower associations. This is a former Plan Colombia Project that was transferred to CAPP for development and possible implementation.

CAPP will provide US\$630,366 to the Project operator and proponent, Fundacion Alto Magdalena, via a Standard Grant with an approximately 32-month term. CAPP resources are equivalent to 24.9% of total Project cost.

CAPP's support will be primarily for such costs as Project coordination; community/interpersonal, technical, managerial and entrepreneurial training; plus the cost of FAG guarantees, fiduciary services, loan approval coordination, and 25% of the cost of the nursery plants involved in the Project.

Propalma – Project #052

The objective of this Project is to plant 10,000 hectares of African Palm trees over a 19-month period, in the departments of Magdalena, Santander, Bolivar, Meta, Cesar and Nariño.

This Project will do so through an innovative financing mechanism, implemented via Colombia's stock exchange, called "titularización", or securitization. Securitization converts future cash flows from the sales of African palm fruit to cash, via the sale of bonds. The growers involved in the Project will use this cash to fund the Project and plant 10,000 hectares of African palm trees.

One thousand two hundred and ninety four (1,294) families will directly benefit, i.e., 44 grower families and 1,250 laborers. Additional employment will occur when the 10,000 hectares begin producing fruit

that is transported, processed into oil, and the palm oil refined and shipped. The employment generated in the Project will decrease the growing of illicit crops via the creation of licit employment alternatives.

CAPP's participation will be via a 19-month Standard Grant to the Project operator and proponent Propalma, for approximately US\$855,702. This grant will be used to cover part of the "pre-transactional costs" of the securitization process, i.e., the cost of a whole series of activities (e.g., registration fees, auditors' fees, etc.) that need to occur before the bonds can be issued.

CAPP will also support many of the bond issue "transactional costs", i.e., the cost of activities that occur during and after the bond issue (e.g., brokerage commissions, project follow-up costs, grower training, etc.). Most of the costs to be supported by CAPP will occur after the sales of the bonds themselves.

The total cost for this Project, including CAPP's participation, is estimated to be US\$34.2 million, with CAPP's participation at 2.5% of total cost. No banks are involved in this Project, and all financing will occur via the securitization process described above.

CASE - Project # 117

The objective of this Project is to plant 1,500 hectares of cacao in the municipality of Maceo, Department of Antioquia. Six hundred (600) families will directly benefit via their participation in this Project.

Participants include one cacao-production grower association, two additional grower associations to be created for the Project, one cooperative named "Cooperativa Multiactiva" (which will serve as the Project fiduciary), and four individual growers who are not affiliated with grower associations.

CAPP will provide US\$1,307,672 to the Project proponent and operator Compañía Agrícola de Servicios Especiales ("CASE"), via a Standard Grant with a term of about 30 months. CAPP resources are equivalent to the 13.2% of total Project cost. CAPP's support will be primarily for Project coordination; community, interpersonal, technical, managerial and entrepreneurial training; FAG guarantee costs, fiduciary services, and loan approval coordination.

C.I. Tequendama - Project # 119

The Project objective is to plant 5,000 new hectares of African palm trees, which will directly benefit 700 families, in the municipality of Rio Viejo, Department of Bolivar, in the Medio Magdalena region of Colombia.

The Project will organize and train the growers, through four grower associations and thirteen worker cooperatives, on how to profitably and sustainably manage small, medium and large individually-owned, African palm plantations. This Project will create incentives for them to either desist from producing, or not become involved in the production of, illicit crops.

During the first six years of the Project, Finagro loans, and grower and CAPP resources toward the Project will total nearly US\$15.3 million. CAPP's participation, at US\$1.79 million, is equal to 11.7% of total Project cost (over six years of Project investment), or 17.9% of costs during CAPP's LoP.

Project activities to be supported by CAPP include interpersonal/managerial training, loan approval coordination, technical assistance, FAG guarantees, fiduciary services fees, environmental requirements, and specific administration expenses.

Aldea - Project # 124

The objective of this Project is to plant 1,665 hectares of cacao in the municipality of Zulia, department of Norte de Santander.

Three hundred and thirty three (333) families will directly benefit via the participation of five grower associations. Two of these associations have already been created (Asocasam and Asocazul), and the remaining three associations are in the process of being registered.

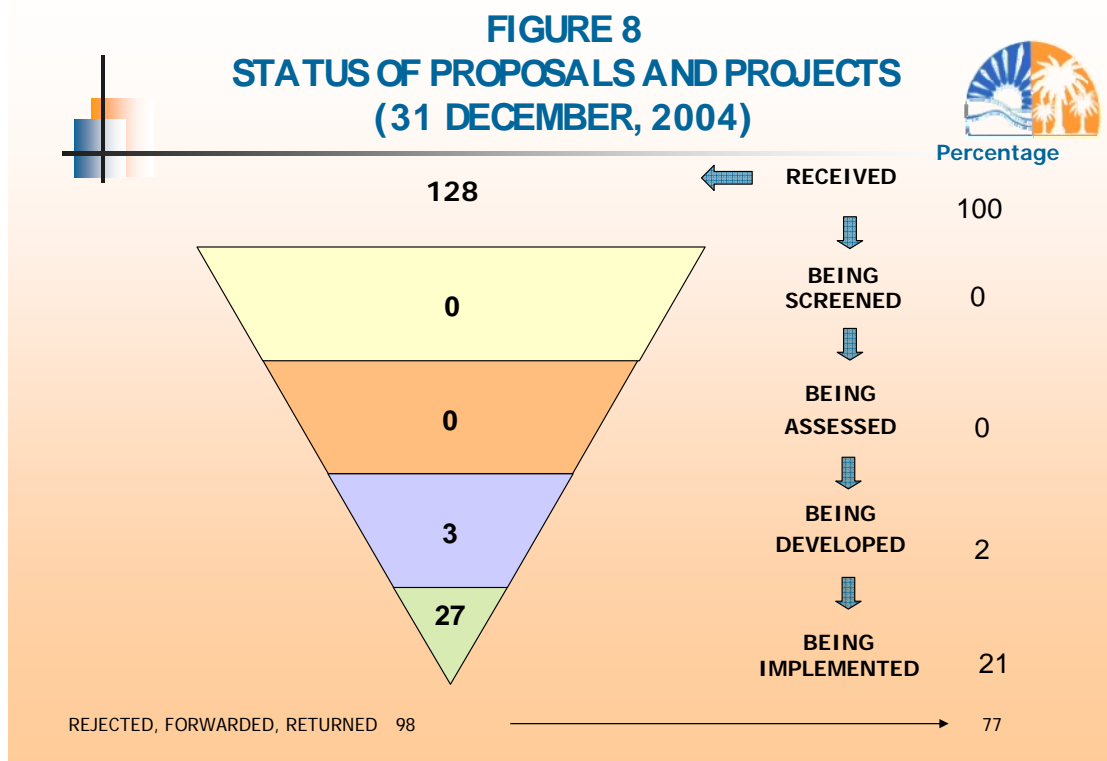
CAPP will provide US\$1,323,063 to the Project proponent, C.I. Aldea, via a Sub-Contract with the fiduciary involved with the Project, FiduBogotá. The Sub-Contract will have a term of about 32 months, with disbursements not to occur past September 30, 2007. CAPP resources are equivalent to the 17.65% of total Project cost.

CAPP's support will be primarily for Project coordination; community, interpersonal, technical, and managerial training; plus the cost of FAG guarantees, fiduciary services, loan approval coordination, and 25% of the cost of the nursery plants involved in the Project.

3.4. Status of Proposal Development and Project Implementation at End of the Quarter

Figure 8 provides a summary of the status of all active proposals and Projects as of 31 December 2005 in number and percentage. While it was relatively easy and cost effective to move proposals through the Screening and Assessment phases, Development is more time and resource intensive. During Implementation, the real work starts. As can be noted from Figure 8, as of 31 December 23% of concept papers and proposals received are still active, 2% are in Development and 21% are in Implementation. Of the 30 active proposals and Projects 10% are in Development and 90% are in Implementation.

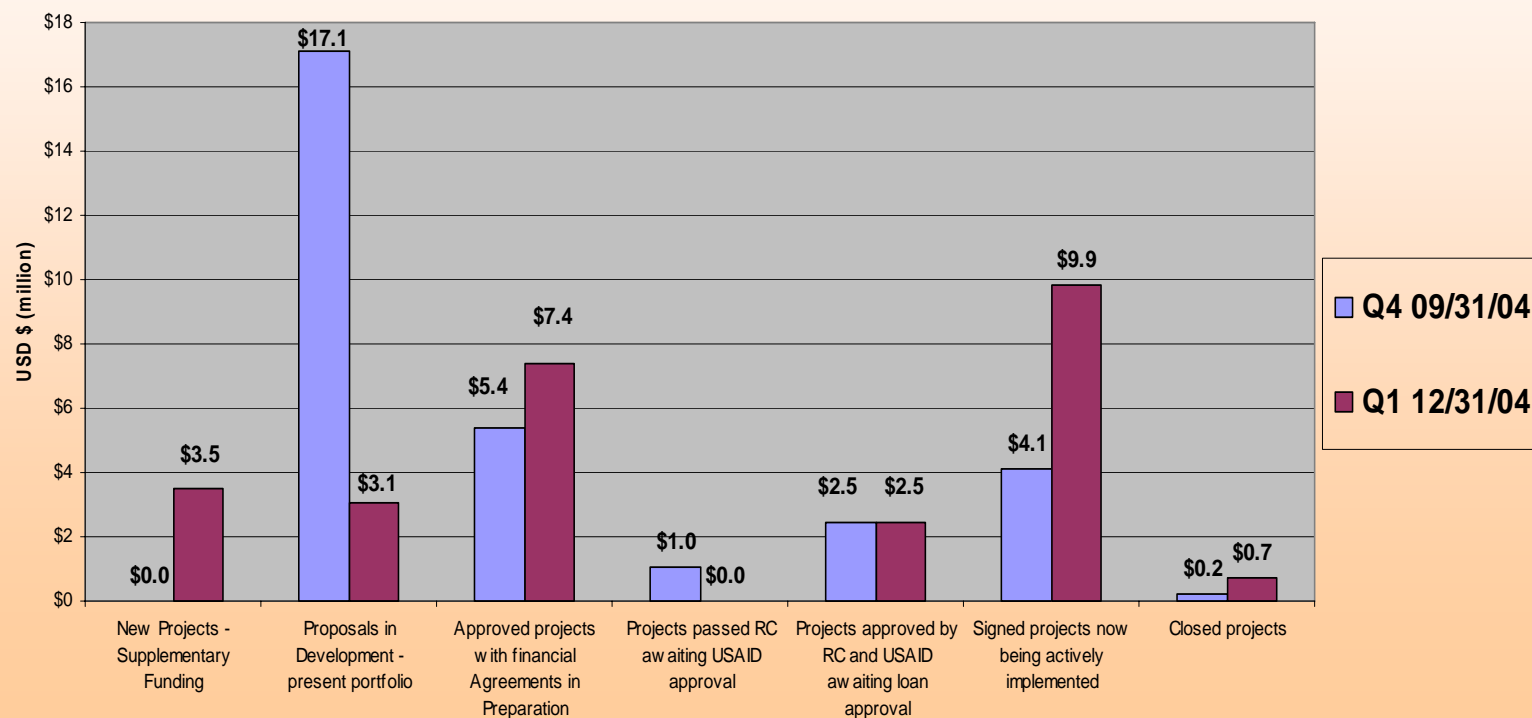
Appendix 2 contains a listing of all proposals received as of the end of the First Quarter and a very brief status statement. Appendix 3 lists the departments and municipalities positively impacted by active proposals and Projects.



The Figure 9 illustrates the change in the value of proposals and Projects in various stages of development and implementation at the end of the Fourth versus the end of the First Quarter. As can be noted from this chart the total value of Proposals in Development at the end of the Fourth Quarter declined by \$14 million dollars as of the end of the First Quarter, and signed projects increased by \$5.8 million. Projects passed into Implementation and having financial agreements being prepared and waiting on USAID and loan approval increased by \$1 million.

Figure 9 Project Movement

Project Status values: End of 4TH and 1st QUARTERS



Note: Anticipated Supplementary Funds were not part of CAPP's portfolio as of 12/31/04.

3.5. Plan Colombia Projects Implementation

Intensive work took place during the Quarter to finalize the development of full proposals and support agreements for the Plan Colombia potential Projects. Many of these proposals came to CAPP without operators and very few had identified buyers willing to provide forward contracts. The original proposals did not anticipate the utilization of bank loans, but rather expected a high percentage of total costs via a grant. Therefore, they were not sustainable commercial projects. As a result of substantial work by CAPP staff, the proposals were restructured and proponents were helped to find operators, buyers willing to sign forward contracts and banks willing to lend to these higher risk potential projects; the latter involved extensive work with Finagro to get their support for the loans. Therefore the proposals were converted into commercial and bankable CAPP-type projects.

This aggressive development of the challenging Plan Colombia proposals resulted in three more of the nine active proposals being passed into Implementation. Therefore, all but one (#127) of the active Plan Colombia proposals has been passed by the RC. Three of the Plan Colombia proposals (#125, #125P and #126) were merged into one grant that was signed during the Quarter, so three of the nine active Plan Colombia proposals had been signed as of the end of the Quarter.

Key Plan Colombia projects related accomplishments included:

- Disbursements for Tibú projects #125 and #126 were initiated, with plantings and land clearing now ahead of schedule. A third CAPP disbursement is pending the proponent providing CAPP an approved insurance policy regarding advance payments, and could produce some delays in CAPP disbursements.
- Work continued toward securing 100% Finagro guarantees for the cacao projects. CAPP staff visited all regional offices of Banco Agrario, Bancolombia and Banco Bogotá that have received loan applications for CAPP Projects in this effort.
- Staff began visiting Plan Colombia projects with Finagro, Banco Agrario and Plan Colombia managers to ensure they are informed regarding project progress and possible delays, and are fully supportive of and understand CAPP's work.
- Staff attended a meeting in Quito with USAID CTO Gerardo Arabe, and World Cocoa Foundation (WCF) representative B.K. Matlick, and Ed Seguíne. As a result a decision was made to bring the WCF Farmer Training School to Colombian cacao growers involved in CAPP projects.
- Organized a WCF representative visit to Colombia, to occur in January 2005, to help determine cacao growing opportunities in Colombia, including grower training and TA needs.
- Organized a trip to ARD project PRONORTE Ecuador for a Cacao Farmer Field School Training of Trainers seminar for January 2005.

An overview of the nine active and one inactive Plan Colombia projects, including their status as of 31 December, is shown in Figure 10 below. As can be noted from this Figure, CAPP will be contributing an estimated \$11.2 million, or 21% of total investments, to these nine Projects, assuming all are implemented as planned. This will result in nearly 13,500 new hectares of licit long-term crops being planted and significant new benefits to nearly 2,200 families. CAPP's percentage of support for Plan Colombia projects (21%) is significantly higher than our percentage of support for CAPP APS/RBP Projects (10%) because the Plan Colombia projects are being developed as a combination of both social and commercial projects and tend to be in geographic locations where project development is more expensive due to their remoteness. However, it should be noted that CAPP's percentage support is dramatically lower than that provided by other USAID Alternative Development programs, and the sustainability of CAPP reworked projects is significantly better.

FIGURE 10

CAPP – PLAN COLOMBIA PROJECTS



CAPP - PLAN COLOMBIA PROJECTS - 12/31/04

TRM COP\$ per 1 US\$

2,809

PROJECT No.	PROPONENT	MUNICIPALITY	PRODUCT	NEW HECTARES	FAMILIES BENEFITED	TOTAL INVESTMENT US\$ '000	CAPP SUPPORT US\$ '000	STATUS
45	Palmares El Portico	Sabana de Torres, Santander	African Palm	2,100	210	5,033	1,191	USAID Approved. Pending Loan Approvals
46	Cacao del Cesar	La Gloria, Cesar	Cacao	1,000	400	4,634	1,271	Awaiting USAID Approval (Sent 12/6/04)
47	Cordeagropaz	Tumaco, Nariño	Cacao	-	-	NA	NA	Inactive
48	Fundacion Alto Magdalena	Tarqui y La Plata, Huila	Cacao	510	100	2,538	635	CAPP to send to USAID
123	Fundescat	Sardinata, Norte de Santander	Cacao	1,500	300	6,242	1,308	USAID Approved. Pending Loan Approvals
124	Aldea	Zulia, Norte de Santander	Cacao	1,665	333	7,411	1,323	CAPP to finalize TOR and Budget
125	Asogpados	Tibú, San Martin de Loba y Sardinata, Norte de Santander	African Palm	4,000	400	12,330	2,383	Agreement Signed, in Implementation
125 - P	Hacienda Las Flores	Tibú, Norte de Santander	African Palm Crushing Plant	NA	32	4,397	589	Agreement Signed, in Implementation
126	Estam	Tibú, Norte de Santander	African Palm	1,500	150	4,783	1,105	Agreement Signed, in Implementation
127	Procaucho	Landázuri y Cimitarra, Norte de Santander	African Palm	1,200	240	5,685	1,344	Awaiting Review Committee
TOTAL				13,475	2,165	53,053	11,149	

3.6. Other Key Accomplishments during the Quarter

- At the request of USAID, and after a meeting with all USAID contractors, CAPP staff met with Juan B. Perez of the President's office to plan a trip to Tibú regarding the Government's plan for projects that will create employment opportunities for demobilized "self defense" forces. The trip took place on 8 January. CAPP believes there is significant potential for CAPP-type African palm and cacao projects in the region.
- Performed the Initial Verification for 10 Projects through Task Orders with our subcontractor Grupo Gestor, and field verifications for three Projects was completed by CAPP's Environmental Field Inspector.
- Approximately 85% of the MERA System design was completed, including four modules (General Information, Environmental, Indicators, and Contracts and Grants), and an additional module for report production.
- Completed an internal desk audit of CAPP-supported fixed and variable expenses of Fundalianza from January 1 thru May 31, 2004. Findings forced CAPP to terminate Fundalianza as the operator on 4 projects: #031, #032, #056, and #079. Agreement was reached with the four grantees using Fundalianza for them to audit Fundalianza's fixed and variable expenses from June 1 thru December 17, 2004 with audit costs being paid by them.
- Formal training on how to properly complete the grant-related reports required by CAPP was provided at five grantee's offices on the same date grant agreements were signed. The training included a thorough review of the grant terms and conditions, sharing of "lessons learned" in grants implementation from our global compliance activities as well as from other CAPP grantees. It also includes a presentation from the Finance Staff, and a review of the reporting and supporting documentation requirements. The training takes from 8 to 12 hours per grantee.
- With the advent of the new full time HR person, Diana Acero, at CAPP, payroll and personnel responsibilities were transferred from Luis Eduardo to Diana, enabling Luis Eduardo to handle the increased volume of customer invoices, as well as help the Finance Team in other operations-related tasks.
- Two Environmental Reviews and two addendums to previously approved Environmental Reviews were approved during the Quarter. Since CAPP's inception, thirty one out of thirty two Reviews submitted have been approved by USAID. For the remaining one, USAID has determined that a Review will not be sufficient and an Environmental Assessment will be necessary due to the magnitude of the potential project implementation impacts. All projects that went into Implementation during the Quarter had their Environmental Review approved in advance of the project being presented to the Review Committee.
- The refocusing of the CAPP organization toward REVA-type activities began in the First Quarter and will continue during the Second quarter.
- The floundering Fedecacao (#001) proposal was revived and restructured into a viable and active proposal. Its business plan has been rewritten and reorganized to reflect a bankable proposal. This proposal, comprised of two existing grower cooperatives, will impact 700 hectares of new cacao plantings and benefit 350 families. The proponents have a loan already approved by Banco Agrario and an Environmental Review approved by USAID. Expectations are that this proposal will be passed to Implementation and signed in the Second Quarter.
- The very successful Agrofrut (#012) fruit-growing and fruit pulp processing project was closed out during the Quarter. This project has been so successful that CAPP is strongly considering developing a second, similar project to be implemented in the first half of 2005.

3.7. Progress vs. Work Plan

Figure 11 illustrates CAPP's accomplishments versus the Year Two Work Plan Supplement. That Plan called for 32 proposals to be in passed into Implementation by the end of the year, but included the caveat – subject to the availability of funds. In CAPP's Fourth Quarter FY '04 Report we stated that the number of projects that could be completed with available funds had been reduced to 29. In fact 27 Projects had

been passed into Implementation as of the end of the calendar year. Two proposals (#127 and #065) are in a very late stage of development and will be presented to the Review Committee early in the Second Quarter.

The Year Two Work Plan anticipated that 28 agreements would be signed by the end of Year Two. In fact 17 agreements were signed. A number of factors, most beyond CAPP's control, reduced the number of grants that could be signed during the last Quarter. For example, CAPP has been asked by USAID to not sign some grants until project proponents have received loan approvals, a ruling which is presently holding back three approved Projects that otherwise are ready for signing. In addition, during the Quarter CAPP was asked by USAID to wait for two internal USAID rulings regarding Projects. The first was regarding whether CAPP can sign a grant with a proponent funded by Incuagro, and the second concerned pre-award cost approvals. These two issues were resolved late in the Quarter by USAID, and CAPP has signed the two grants involving Incuagro, and in early January will sign the grant involving pre-award cost approvals. But these three grants were signed much later than anticipated.

Grants for six Projects were scheduled to terminate in the First Quarter and therefore the work associated with these grants was anticipated to cease. However, Agrofrut - (#012) was still being closed out at year end, and #029 - Restrepo, #031 - Tequendama, #032 - El Roble, #056 - Gradesa, and #079 - Ecobio have all received no-cost time extensions due to delays in their implementation schedule. This means that the number of completed Projects projected (1) was less than anticipated (7), and the total number of active projects, and therefore work load, much greater.

3.8. Program Expansion

In January 2005 USAID indicated they plan to provide \$3.5 million in Supplemental Funding Grants and Subcontracts, for a total Program funding of \$41.5, million and add two proposals, from the CAD (Chemonics) program, not in CAPP's current portfolio. This additional \$3.5 million will enable CAPP to develop and implement not only the two CAD projects (#130 – ASOGPADOS and #131 – ASOCATI, both Plan Colombia projects), but also to move three proposals (#089 – Urapalma, #041-19 – Fiduagraria and #001 Fedecacao) from Inactive to Active, and expand five successful older Projects (Fiduagraria, Restrepo, Agrofrut, Empaques and Empaca). The additional \$3.5 million and these nine additional proposals are included in forecasts presented in the remainder of this Report.

3.9. Key Contratiempos and Constraints

3.9.1 Contratiempos Resolved

This section outlines some of the more significant contratiempos CAPP resolved during the Quarter.

Weak Customer Understanding of Ceiling Budgets in Standard Grants

A “lesson learned” during Project implementation is that our customers do not fully understand the difference between the maximum cost budget in a Standard Grant versus the fixed cost budget in a PO or FOG. Some Standard Grant invoices have been coming in with unsupported maximum budget numbers. We have therefore enhanced the reporting and invoice submission procedures built into Standard Grants. This process resulted in some delays in invoice approval and completion of Standard Grants. To further contribute to resolving this “contratiempo,” the agribusiness, Compliance and Finance Teams have been delivering detailed training sessions prior to grant signing at Grantee's offices with the objective of improving grantee's understanding of how to submit proper invoices and Project progress reports.

FIGURE 11
STATUS VS OVERALL
WORK PLAN

Activity	Month											
	1	2	3	4	5	6	7	8	9	10	11	12
	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04
Proposals Received				①								
	122	122	128	129	129	131	131	131	131	131	131	131
Proposals Screened												
	109	112	122	122	122	122	122	122	122	122	122	122
Proposals Assessed												
	40	42	45	46	48	51	51	51	51	51	51	51
Implementation Plans & Agreements Being Developed												
	17	18	24	22	22	20	17	14	12	14	10	6
Results												3
Proposals Passed into Implementation by R.C.				▲▲		▲▲	▲▲▲	▲▲▲	▲▲	▲▲	▲▲▲▲	▲▲▲▲
	10	10	10	12	12	14	17	20	22	24	28	32
Results												27
Implementation Agreements Signed		▲				▲▲▲	▲▲▲	▲▲	▲▲▲	▲▲	▲▲▲▲	▲▲▲▲
	6	7	7	7	7	10	13	15	18	20	24	28
Results												17
Implementation Grants and Contracts Completed						★					★★★★★	
	0	0	0	0	0	1	1	1	1	1	7	7
Results												2
Projects Being Implemented												
	6	7	7	7	7	9	12	14	17	19	17	21
Results												25
Implementation Plans & Agreements + Projects Being Implemented												
	23	25	31	29	29	29	29	28	29	33	27	27
Results									0			28
Total Grants and Contracts Completed		××⊕			★	★★			×		★★★★	⊕
	1	4	4	4	4	6	6	6	7	7	14	15
Results												10
Policy Related Activities Being Implemented												
	0	0	0	0	0	0	2	2	2	2	1	1
Results												1

Notes:	
①	"New" Plan Colombia Proposals
②	"New" Follow-Up Convocatoria Proposals
▲	"New" Plan Colombia Proposals
★	Implementation Grant or Contract Completed
×	Pre-Implementation Grant or Contract Completed
⊕	"New" Plan Colombia Proposals

Uncertainty Regarding Pre-Award Costs

CAPP has understood that USAID regulations do not permit customer expenditures to take place for supported activities before the signing date of an agreement. However, we strongly prefer that project-related loan arrangements be completed before we sign a support agreement with our customer so it is clear that the financing needed for the potential project will be available. One of the types of up-front financial assistance that CAPP very often provides is the cost of arranging the loans. This is often a complex process involving organizing producer groups and helping them apply and qualify for the loans. If we can't support costs incurred prior to agreement signing, but want loans arranged before we sign a contract, we are caught in a Catch 22. On December 21, 2004, CAPP received approval of pre-award costs related to one of our Grantees regarding loan approval management or coordination activities.

USAID Decision on Grants to Government Organizations

On November 17, 2004, CAPP received approval to award a grant to a Project supported by a lower-tier Colombian government organization. A waiver to award a grant to a government organization was not required since Contract Modification #7 permits our CTO to approve grants to government organizations.

Uncertainty Regarding Eligibility of Grantee

Working closely with USAID, CAPP was able to establish that the proponent for project #123, Fundescat, was not in need of a waiver from USAID in order to be a grantee.

Finagro Resistance to 100% FAGs for Plan Colombia Projects

Nearly all of the Plan Colombia projects should be able to qualify for 100% FAGs from Finagro. However, Finagro management is resisting providing a FAG greater than 80%. Substantial time and effort was invested in attempting to obtain 100% FAGs for Plan Colombia project loans. Considerable support to this successful effort was provided by the CAPP CTO and Plan Colombia staff. These projects are now able to apply for loans via commercial banks under much more favorable conditions. Two Plan Colombia projects have received 100% FAG. A 100% FAG for all 9 cacao projects is pending as well as for African palm Plan Colombia project #045.

US Dollar to Peso Exchange Rate

Project grants are denominated and reimbursed in Pesos but CAPP's budget is in dollars. The exchange rate currently being used for new grant budgets is 2,809, but average rate for December 2004 was 2,392. During the Quarter CAPP introduced language into our grant agreements that states the maximum obligation is in USD. Including this language is one way to ensure that CAPP will not over obligate its USD Subcontracts and Grants budget. Therefore, CAPP intends to notify each Grantee on a quarterly basis of their remaining USD balance.

Weak Implementation and Cost Justification by a Multi-Project Operator

Effective December 17, 2004, CAPP asked four grantees to terminate the services of Fundalianza. Fundalianza was a sub-contractor for several projects and proposals and has been the subject of considerable investigation and negotiation by CAPP. We have also removed Fundalianza from current project proposals that have not yet been signed. CAPP has met with the legal representatives of the four Grantees to work together to verify the questionable invoices and hopefully correct invoice related issues, and satisfactorily reschedule the Projects. (Financial and some service delivery audits are currently underway and opinions are expected by the end of February 2005.)

Lack of Forward Contracts for Cacao Projects

The two largest Colombia cacao buyers are not inclined to sign binding forward contracts. Since forward contracts are a prerequisite for project loans, seven of the eight CAPP cacao projects were not able to obtain the funds needed to finance the projects. To resolve this contratiempo CAPP worked with the cacao project proponents to help them establish a cacao trading company that will sign purchase contracts with grower associations, or project proponents affiliated with the projects.

With considerable assistance from CAPP, C. I. CAACAO S.A. was officially incorporated on the 20th of October, 2004 with the participation of all proponents and operators of CAPP cacao projects likely to be passed into Implementation. Capitalization was set at CP\$1,000,000,000, equivalent to about US\$400,000, and will increase by 40% in the near future to allow for the participation of cacao grower associations. A shareholders agreement is presently in place in this regard. In addition, a loan application has been presented to Finagro's Venture Capital fund to provide future capitalization. The next step for C.I. CAACAO is to develop a detailed Business Plan, and to prepare a plan to receive technical assistance from the WCF in cacao processing, product export specifications and farmer training for affiliated grower associations.

In early 2005 C.I. CAACAO will sign the purchase contracts needed for loan approvals for CAPP projects for which C.I. CAACAO S.A. will be the cacao buyer.

Heavy Burden of M&E and Environment Verification Work

Considerable up-front and post Project signing verification work is required for CAPP projects, e.g., selectively determining the GSP coordinates of plots included in a project, verifying the absence of illicit crops on those plots and confirming indicators reported by the proponent. To help resolve this heavy work load a full time verification contractor is now working at CAPP, and Jennifer Parra was moved to the M&E Team.

Low Bond Rating

The Fedecacao (#007) securitization project was placed in Inactive status due to the proponent, Fedecacao, deciding to stop its development given the low bond rating (AA) it received. Such a low bond rating dramatically decreases the income which could be derived from the bonds. The CAPP Agribusiness team has spent hundreds of hours helping to develop this proposal because it involved establishing a new source of financing for agricultural projects.

High Sub-Contractor Costs

CAPP's contract with CAEMA was designed for them to perform follow up duties on Environmental Reviews and assist CAPP and its customers at any stage of the environmental compliance process. However, work by CAEMA did not take place during the Quarter due to discrepancies regarding their cost quotes for work to be performed. Therefore, CAPP hired an environmental specialist to carry out field monitoring duties.

3.9.2 Contratiempos to be Resolved

This section outlines contratiempos that are in the process of being resolved. CAPP is working diligently and cooperating with USAID to minimize the potential negative impact of the constraints.

Available Funding

Currently there are insufficient funds available to sign and fully support all currently active proposals and Projects as well as expansions of successful signed Projects, and to monitor them to the end of the

Program. A USAID decision is anticipated in the Second Quarter to provide \$3.5 million in additional Subcontracts and Grants funding (only) to fully support potential and signed Projects in CAPP's portfolio and two new projects to be transferred from another USAID project. This additional funding will enable CAPP to significantly increase the number of new hectares planted, families benefited and jobs created. This is very good!

However, without any increase in the Local Labor budget to support the personnel needed to develop and sign new projects, finish the design of our REVA system and effectively implement REVA, there will be serious pressure on CAPP human resources. International STTA will be used to reduce this burden. To accomplish this work, it will be necessary to fully staff CAPP all of 2005, even though the budget projects staff reductions in the second half. It will also be necessary to draw upon the Local STTA budget much more extensively than projected. This will put severe pressure on the Local Labor budget in 2006 and 2007, and will mean reducing local staffing much earlier than anticipated.

USAID Decision Streamlining Regarding Pre-award Costs

We have understood from USAID that going forward CAPP would be required to seek CO approval for each Grant involving pre-award costs prior to submitting the Grant to our CTO for approval. We continue to believe we should be able to sign an agreement that includes support for the cost of arranging loans, but make the agreement null and void if the loans aren't approved. In some cases part of the loans get approved and some do not, yet the feasibility assessment of the project was based on a specific number of loan approvals, and therefore hectares and families, and those indicator numbers would be less if all of the loans do not get approved.

Three grants that include pre-award costs related to loan approval coordination have been submitted to USAID without a separate letter to the CO regarding approval of pre-award costs – partly due to the timing between submitting an earlier Pre-Award Cost approval for one particular grant. This CO approval will need to be applied for. A blanket ruling with very detailed terms and conditions would facilitate the approval of grants involving pre-award loan approval costs. The principle is the same for all such grants.

On-site Financial Desk Audits – Ongoing Training

Staff availability and allocation will impact the level of on-site financial desk auditing that can be performed by the Finance and Compliance Teams. Finance and Compliance Advisors would like to develop an internal policy regarding under what circumstances an on-site financial desk audit would be required. The purpose is twofold: 1) to continuously mentor the grantee in what and how financial information and support must be presented in an effort to eliminate the possibility of “unallowables” and 2) coach grantees on how to control their financial operations to not overspend the award budget.

3.9.2.4. Required Project Auditing

Any Project that spends more than \$500,000/year must have a formal audit, so CAPP needs to develop an IQC-type RFP for USAID approved auditing services for CAPP funds utilization, and award one or more of these contracts. Less formal A-133 audits may be required for projects where financial controls are questionable. The cost of doing these audits is included in CAPP's Subcontracts budget, and therefore reduces available direct Project support funding.

3.9.2.5 Peso Exchange Rate Challenge - Projects

As noted earlier, Project grants are denominated and reimbursed in Pesos but CAPP's budget is in dollars. The exchange rate currently being used for budgeting is 2,809 but the average rate in December 2004 was ~2,393, so CAPP will need to carefully monitor its obligations. During the last quarter CAPP introduced contract language that serves to obligate the grant in USD. Such modifications will be required for all

grants that have been signed and obligated in Colombian Pesos. However, another aspect of the exchange rate issue is that a Project may run out of dollars before all of the costs CAPP is scheduled to support have been reimbursed. A plan needs to be developed for how to address this issue, i.e., find additional funding, for the better Projects when they run out of US\$.

3.9.2.6 Standardizing Biodata Requests from Grantees

Compliance receives numerous requests for changes to Award Budgets which typically require Biodata approvals. In any given week CAPP may receive upwards of 30 Biodata approval requests. To minimize the amount of time Compliance spends reviewing and approving each Biodata approval request, Compliance plans to standardize a Biodata Letter that the Grantee will submit. Compliance and Agribusiness can then review the standard letter and determine approval. Similar “standardization” is contemplated for other budget change requests.

3.9.2.7 Insurance Policy for Cash Advances

More and more CAPP subgrantees are requesting payment advances. These Grantees have passed our Pre-Award Responsibility Determinations and Pre-Award Survey, and therefore qualify for payment advances. However, as monthly advances could exceed several tens of thousands of USD for any one Grantee, and CAPP will be advancing funds to upwards of 15 Grantees (not all Grantees use the Payment Advance method), CAPP is researching the possibility of having the Grantees obtain an insurance policy to cover upwards of 2 months of advances. The purpose of the advance policy is twofold: to avoid internal timing delays that result from the detailed invoice review that we perform of each payment request, and to protect CAPP against any nonperforming Grants.

3.9.2.8 Peso Exchange Rate Challenge - Staff

Employee salaries are denominated in dollars but paid in Pesos. The Peso has strengthened nearly 14% in the last year while the Cost of Living Index in Colombia has gone up around 7%, and most employees received a 5% salary increase. This means they are getting fewer Pesos in salary than last year, yet their costs have gone up. Thus there is a morale and staff retention problem that needs to be resolved. ARD is preparing a request to USAID to adjust the Peso value of both CAPP and DLGP II salaries to the exchange rate as of February 2003. If approved this would treat employees in both programs fairly and would significantly improve employee morale and reduce employee turnover.

3.9.2.9 Staff Turnover

Two more very good CAPP staffers recently resigned due to issues with compensation and uncertainty over their future. Approval and implementation of the dollar valuation adjustment mentioned above will reduce staff dissatisfaction. However, it would also be very valuable if selected staff working as consultants could be converted to employees. However, in the past USAID has not been supportive of this move.

3.9.2.10 Grupo Gestor Contract

We need to decide whether to extend or terminate the contract with Grupo Gestor. If the decision is to terminate, a replacement must be rapidly identified because environment-related field verification can not be delayed.

3.9.2.11 Work Load Difficulties

Completion of the current portfolio and the addition of new projects through the proposed Supplementary Funding will significantly increase the amount of Projects that must be developed, provided agreements, trained and monitored and evaluated to assure proper usage of funds according to regulations, and to

support the performance of each Project. Doing this with existing staff and budget presents a significant challenge, and will require setting clear task priorities and direction to in-house and subcontractor technical expertise.

As the number of signed projects increases the amount of invoices received will rapidly multiply. CAPP will face an issue of managing and processing invoices in a timely and effective manner to meet the cash flow needs of grantees, and at the same time fulfill USAID and ARD requirements of prudent control of funds.

3.9.2.12 Environmental Assessment

One project (#119) will require an Environmental Assessment that is expensive, will take at least six months and will require a competitive contracting process. Several months ago USAID has promised a letter indicating all activities except irrigation system development can proceed without the Assessment, but that letter has not yet been received.

3.10. First Quarter Accomplishments Summary

Six proposals were approved into Implementation, seven Projects were signed and six Grant Modifications were completed. The CAPP contribution, total project cost, new hectares planted, families benefited and workdays created are:

	CAPP Contribution (millions)	Total Project Cost (millions)	New Hectares	Families Benefited	Workdays Created
Passed Into Implementation	\$6.8	\$69.7	19,275	3,573	2,207,600
Signed	\$5.6	\$32.2	7,150	1,388	1,044,600
Modified	No Additional				

4. Contract Modifications, Amendments and Reporting

No contract modifications were completed in the Quarter. Following is a summary of all Modifications to date.

- On 21 February 2003, Contract Modification #1 was signed to correct the name of the Program and make other minor adjustments.
- On 28 April 2003, Contract Modification #2 was signed to change several key contract provisions and make them consistent with the approved Work Plan.
- On 29 May 2003, Contract Modification #3 was signed to make changes in the Scope of Work and labor hours to reflect changes approved in Modification #2 as well as other minor changes.
- On June 13, 2003 Contract Modification #4 was signed to increase obligated funds to \$16.5 million.
- On October 29, 2003 Contract Modification #5 was approved that required certain tax reporting information from ARD.
- On December 5, 2003 Contract Modification #6 was approved that modified the budget to incorporate a number of line item adjustments.
- On March 15, 2004 Contract Modification #7 increased CAPP's term to December '07 and increased funding by \$18 million.

5. Key Activities Planned for Next Quarter

5.1. Launching of Projects

An aggressive effort is being made to complete and sign support agreements for all Projects passed into Implementation by the RC during the First and early in the Second Quarters, and to start full

implementation of the Projects. In many cases CAPP is not the only source of support for a Project. Therefore, our customers must first sign other contracts, get bank loans approved, etc. before the Project can be launched. It is anticipated that at least six Projects will be signed and launched in the Second Quarter. The specific number of projects that can be launched depends on loan approvals for several projects and timely USAID of support instruments.

5.2. Proposal Development Expectations

The following projections are based on the assumption that CAPP's Grants and Sub-contracts budget will be increased by \$3.5 in Supplemental funding during the Second Quarter via Mod 8.

5.2.1 Screening

All proposals have been screened and CAPP's APS/RBP is closed.

5.2.2 Assessment

All proposals in the current portfolio have been assessed. The two Chemonics proposals anticipated to be included in Mod 8 will be entered directly into Development. Four likely expansions of current projects will be entered into Assessment during the Second Quarter and Assessment of them will be completed.

5.2.3 Development

The supplemental Funding will result in two proposals (#001 – Fedacaco and #089 – Urapalma) being moved from Inactive to active, five extensions/second phases (#029 Ext – Restrepo, #012-02 Agrofrut, #025 – Ext. – Empaques and #027 Ext. – Empaca and #041-19 – Fiduagraria) likely being developed and the two transferred projects (#130 – ASOGPADOS and #131 – ASOCATI) being in Development during the Second Quarter. This means a total of 12 proposals will be in Development during the Quarter.

By the end of the Second Quarter we expect to complete development work on four of these proposals and the RC will pass all four (#001, #065, #127 and #130) of them into Implementation. Proposal #080 will be made Inactive. Therefore, seven proposals will still be in Development by 31 March 2005. CAPP will try to accelerate this schedule, but given staff availability limitations and completion and implementation of the REVA system, we do not wish to promise any more than five proposals completing Development.

Figure 12 shows basic data for the seven proposals anticipated to be in Development at the end of the Second Quarter. If passed into Implementation, these proposals will require support of \$1.6 million from CAPP out of a total investment of \$31.6 million, or 11.1% of total cost, and will add 17,370 new hectares and benefit 2,229 families. CAPP's ability to develop these proposals is contingent upon approval of the \$3.5 million in Supplementary Funding.

FIGURE 12
PROPOSALS EXPECTED TO BE IN DEVELOPMENT
AT THE END OF SECOND QUARTER FY 2005



DEVELOPMENT								
#	PROPOSAL NUMBER	DESCRIPTION	PRODUCT	TOTAL COST	CAPP AMOUNT	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED
1	12-02	AGROFRUT	FRUITS	\$ 3,450,000	\$ 720,000	21	850	250
2	25 Ext	CIA DE EMPAQUES	FIQUE	\$ 1,200,000	\$ 218,000	18	400	270
3	27 Ext	EMPACA	FIQUE	\$ 750,000	\$ 107,000	14	250	150
4	29 Ext	HUGO RESTREPO & CIA	PEPER	\$ 720,000	\$ 150,000	21	150	425
5	41-19	FINAGRO	COTTON	\$ 14,180,000	\$ 800,000	6	13,000	600
6	89	URAPALMA	PALM	\$ 6,059,000	\$ 700,000	12	1,720	200
7	131	ASOCATI	CACAO	\$ 5,233,200	\$ 813,000	16	1,000	334
TOTALES				31,592,200	3,508,000	11.1%	17,370	2,229

5.2.4 Implementation

During the Second Quarter, we anticipate the RC will pass four proposals into Implementation (#001 – Fedacaco, #065 – EAT, #127 – Procaucho and #130 – ASOGPADOS). The product, cost, CAPP contribution and impact on hectares and families of these Projects, plus the 27 already passed into Implementation, for a total of 31 Projects, are outlined in Figure 13. Assuming all of these proposals become approved Projects and the size and CAPP contribution remains the same, CAPP will be committing \$23.2 million, or 12.7% of the total cost of \$182.2 million, to implement Projects located in areas currently influenced by illicit drug production. If these projections become reality, more than 54,875 new hectares will be planted, more than 13,502 families will be directly benefited and 6.5 million workdays of new jobs will be created.

FIGURE 13
PROPOSAL EXPECTED TO BE IN
IMPLEMENTATION AT THE
END OF THE SECOND QUARTER FY '05

CAPP PROPOSAL STATUS REPORT PROJECTIONS FOR MARCH 31, 2005

PROPOSAL NUMBER	DESCRIPTION	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	EMPLOYMENT GENERATED (workdays)
IMPLEMENTATION								
1	Planting of 300 hectares of cacao, for the export market.	CACAO	\$ 5,660	\$ 500	8.83%	700	350	119,000
12	670 ha. of fruit, for fruit pulp production for Colombian and foreign markets	FRUIT PULP	\$4,827	\$493	10.2%	670	1,005	262,013
23	1,483 ha. of passion fruit near the Atlantic coast	PASSION FRUIT	\$7,038	\$666	9.5%	1,483	813	459,200
25	800 ha. of fique in Caldas, Nariño and Risaralda	FIQUE	\$1,228	\$236	19.2%	800	1,334	80,000
27	600 ha. of fique in Cauca	FIQUE	\$1,024	\$137	13.4%	600	1,000	77,970
29	135 ha. of chili peppers for export	PEPPERS	\$1,102	\$142	12.9%	135	1,318	511,424
31	1,130 ha. of African palm near Santa Marta	PALM	\$2,072	\$297	14.3%	1,130	111	40,680
32	1,560 ha. of African palm near Santa Marta	PALM	\$2,856	\$223	7.8%	1,560	91	58,500
35	2,000 ha. of African palm in Bolivar	PALM	\$5,657	\$799	14.1%	2,000	200	137,050
40	600 ha of cacao in Huila	CACAO	\$5,743	\$928	16.2%	600	180	137,280
41	4986 ha of cotton, near Valledupar, Cesar	COTTON	\$4,688	\$218	4.7%	4,986	274	322,296
45	2,100 ha. of African palm in Magdalena Medio	PALM	\$5,033	\$1,191	23.7%	2,100	210	83,865
46	1,000 ha. of cacao in La Gloria, Cesar	CACAO	\$4,634	\$1,271	27.4%	1,000	400	240,000
48	510 ha of cacao in Huila	CACAO	\$2,538	\$635	25.0%	510	100	145,656
50	400 ha. of African palm in Magdalena Medio	PALM	\$962	\$146	15.2%	400	100	25,388
52	10,000 ha of African palm trees via 'securitization'	PALM	\$32,284	\$856	2.7%	10,000	1,250	480,000
56	1,732 ha. of African palm in Cesar	PALM	\$3,177	\$257	8.1%	1,132	141	64,786
64	3,054 ha. of African palm, near Tumaco, Nariño	PALM	\$9,803	\$909	9.3%	3,054	436	259,187
65	2,000 ha of industrial yucca (aka 'manioc' or 'cassava') near Barranquilla	YUCCA	\$4,265	\$900	21.1%	2,000	250	20,000
79	2,000 ha. of organic cacao near Santa Marta	CACAO	\$7,642	\$780	10.2%	2,000	524	184,500
82	400 ha. of bananas near Santa Marta	BANANA	\$2,821	\$316	11.2%	400	276	52,818
95	250 ha. of tree fruit 'tomate de arbol' in Cauca and Huila	TOMATE DE ARBOL	\$1,161	\$98	8.4%	250	250	55,925
117	1,500 ha of cacao in Antiquia	CACAO	\$ 9,783	\$ 1,308	13.4%	1,500	600	432,000
119	5,000 ha of African palm in Magdalena Medio	PALM	\$11,891	\$1,791	15.1%	5,000	700	493,216
123	1,500 ha. of cacao in Norte de Santander	CACAO	\$6,242	\$1,308	21.0%	1,500	300	279,940
124	1,665 ha of cacao, in Norte de Santander	CACAO	\$7,411	\$1,323	17.9%	1,665	333	416,260
125	4,000 ha. of African palm trees in Tibu, Norte de Santander	PALM	\$12,330	\$2,383	19.3%	4,000	400	412,800
125P	African palm crushing plant near Tibu, to process palm fruit from projects #125 and #126	PALM	\$4,397	\$589	13.4%	-	32	220,320
126	1,500 ha. of African palm in Tibu, Norte de Santander	PALM	\$4,783	\$1,105	23.1%	1,500	150	140,100
127	1,200 ha of cacao, in Norte de Santander.	CACAO	\$5,685	\$1,344	23.6%	1,200	240	203,840
130	1,000 ha. of African palm, in Norte de Santander	PALM	\$3,438	\$51	1.5%	1,000	134	57,231
	TOTAL:	31	182,175	23,200	12.7%	54,875	13,502	6,473,245

5.3. Other Next Quarter Activities

The following outlines the main CAPP Second Quarter Activities.

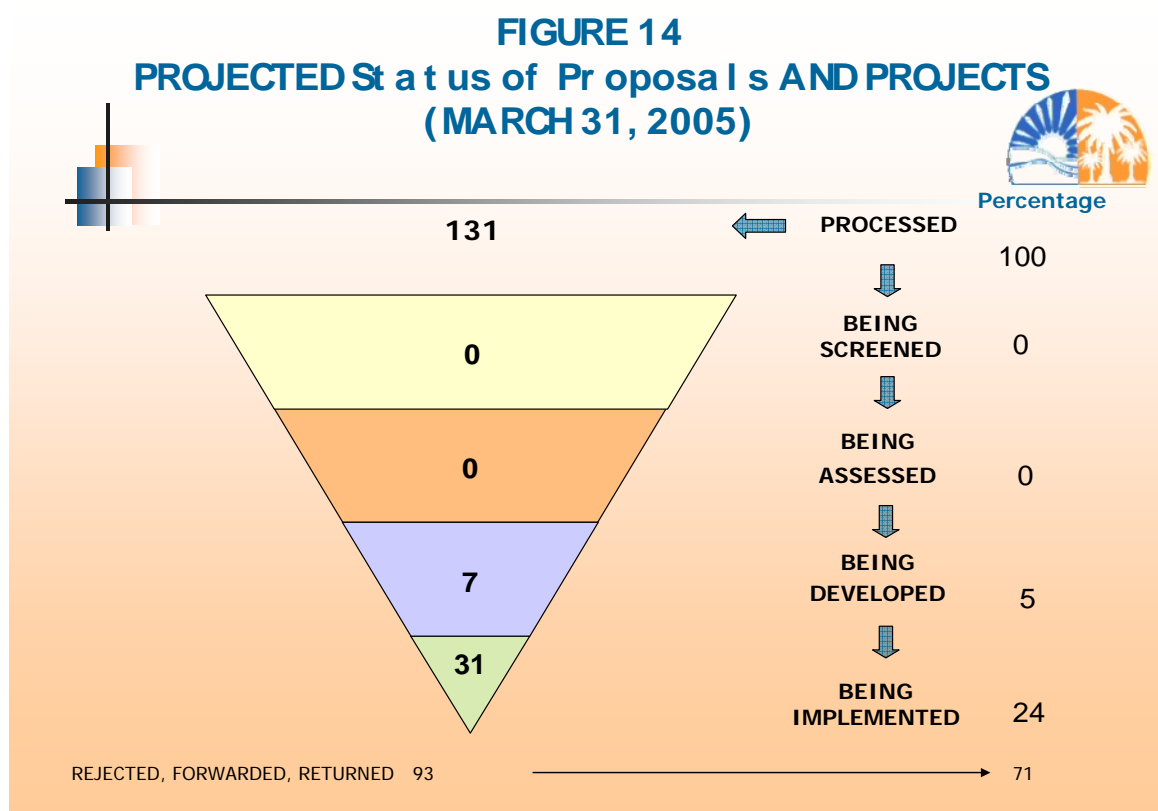
- 5.3.1. Sign at least six new grants.
- 5.3.2. Provide no-cost time extensions to two grants (#025 and #027).
- 5.3.3. Complete grantee training programs regarding agribusiness, finance, compliance, M/E, and Environmental issues for all newly signed grants and contracts.
- 5.3.4. Work with the project proponents of former Fundalianza-operated projects (#031, #032, #056 and #079), as well as Fundalianza and CAPP team members, to complete the Fundalianza accounting and training-activities audits.
- 5.3.5. Work with the proponents of former Fundalianza-operated projects as well as proposals (#117 – CASE and #119 – Tequendama) that involved Fundalianza to finalize how those activities that were going to be implemented by Fundalianza will be performed.
- 5.3.6. Compete and sign at least two financial auditing IQC-type agreements and establish a Project auditing schedule.
- 5.3.7. Resolve the Peso conversion issue for both project budgets and staff salaries.
- 5.3.8. Fully activate and begin utilization of the current MERA System.
- 5.3.9. Contract for and initiate the Environmental Assessment for project #119.
- 5.3.10. In coordination with Plan Colombia, and at USAID's request, visit all remaining CAPP cacao projects with Plan Colombia, Finagro and Banco Agrario executives, to familiarize them with the projects and instill financial community confidence in them.
- 5.3.11. Tell the CAPP Story and its success to key decision makers, including the Tibú projects.
- 5.3.12. Prepare materials to summarize and present CAPP Lessons Learned to USAID, Plan Colombia, the GOC and the Colombian private sector (as appropriate), as requested by Plan Colombia.
- 5.3.13. Officially receive the two new Tibú Projects, #130 and #131, including the resources needed to implement them.
- 5.3.14. Spend an appropriate, and most likely substantial, amount of time in Tibú to manage the six CAPP projects in the area.
- 5.3.15. Finish taking all Plan Colombia proposals to the Review Committee and into Implementation, and sign Contracts and Grants for all remaining approved projects except possibly #131.
- 5.3.16. Complete the design of and initiate implementation of the REVA system, including a viable staffing plan, clear responsibilities and a logical organizational structure. Changes and improvements in communications and internal reporting, along with staff replacements, will be included to optimize the delivery of Compliance, Financial, M&E and Agribusiness responsibilities. As design of the REVA phase of CAPP is completed and regrouping of projects and their assignment to staff moves forward, Project reporting systems will be adjusted to meet the requirements of financial accountability and achievement of CAPP objectives. The reporting formats submitted by proponents and the summary instruments used for periodic review by CAPP management will be tested and refined, and Monthly Project Reviews meetings will be initiated.
- 5.3.17. The good working relationship CAPP has with AID, which was previously centered and occasioned by the Review Committee, will be continued via Monthly Project Review meetings. At these meetings USAID staff will have the opportunity to understand the progress and challenges of specific projects, follow the progress of the portfolio, participate in addressing problems when they arise and gather lessons learned from the Program.

Appendix 1 shows a detailed delineation of proposals and Projects for the last, this and the next Quarter.

5.4. Status of Proposal Development at the End of the Next Quarter

A summary of the anticipated status of proposals and Projects at the end of the Second Quarter is shown in Figure 14. This figure projects both the number of proposals by stage and the percentage of all proposals received as of 31 March 2005. This figure also shows that all active proposals will either be in Development (7) or passed into Implementation (31) by the end of the Quarter. If this becomes reality CAPP will have passed 24% of all proposals received into Development or Implementation and 81% of active proposals will be in Implementation.

CAPP recognizes that USAID would like to have all proposals passed into Implementation by the end of the Second Quarter. However, the Fiduagraria cotton project (#041-19) will not start planting until midway in the Third Quarter, so there is no need to allocate scarce time to get it into Implementation in the Second Quarter. The five extensions/second phases of current projects do not have as high a priority as other proposals in the portfolio and therefore will be developed after other proposals have been passed into Implementation. Urapalma (#089) and ASOCATI (#131) have complexities such as Environmental Reviews (#131) and speed of proponent movement (#089) that may take some time to resolve. However, CAPP will strive to pass these last two proposals into Implementation by the end of the Quarter if possible, given our REVA and progress on other proposal and Projects objectives.



The Figures 15 and 16 illustrate the total value of CAPP's contribution to projects in various categories for the last (Fourth) Quarter, this (First) Quarter and a projection for the next (Second) Quarter. The Figure 15 shows the anticipated dramatic (\$6.3 million) increase in the value of signed projects during the Second Quarter.

The Figure 16 shows a projection of the status of CAPP activities for the last two Quarters (Fourth and First) and the next two Quarters (Second and Third). As can be noted by the Figure 16, no projects are anticipated to be in Development by the end of the Third Quarter, the value of signed Projects will increase by \$13.6 million and the value of completed Projects by \$1.3 million versus the end of the First Quarter.

Figure 15 Project Movement

PROJECT STATUS VALUES: End of 4th, 1st and 2nd quarters

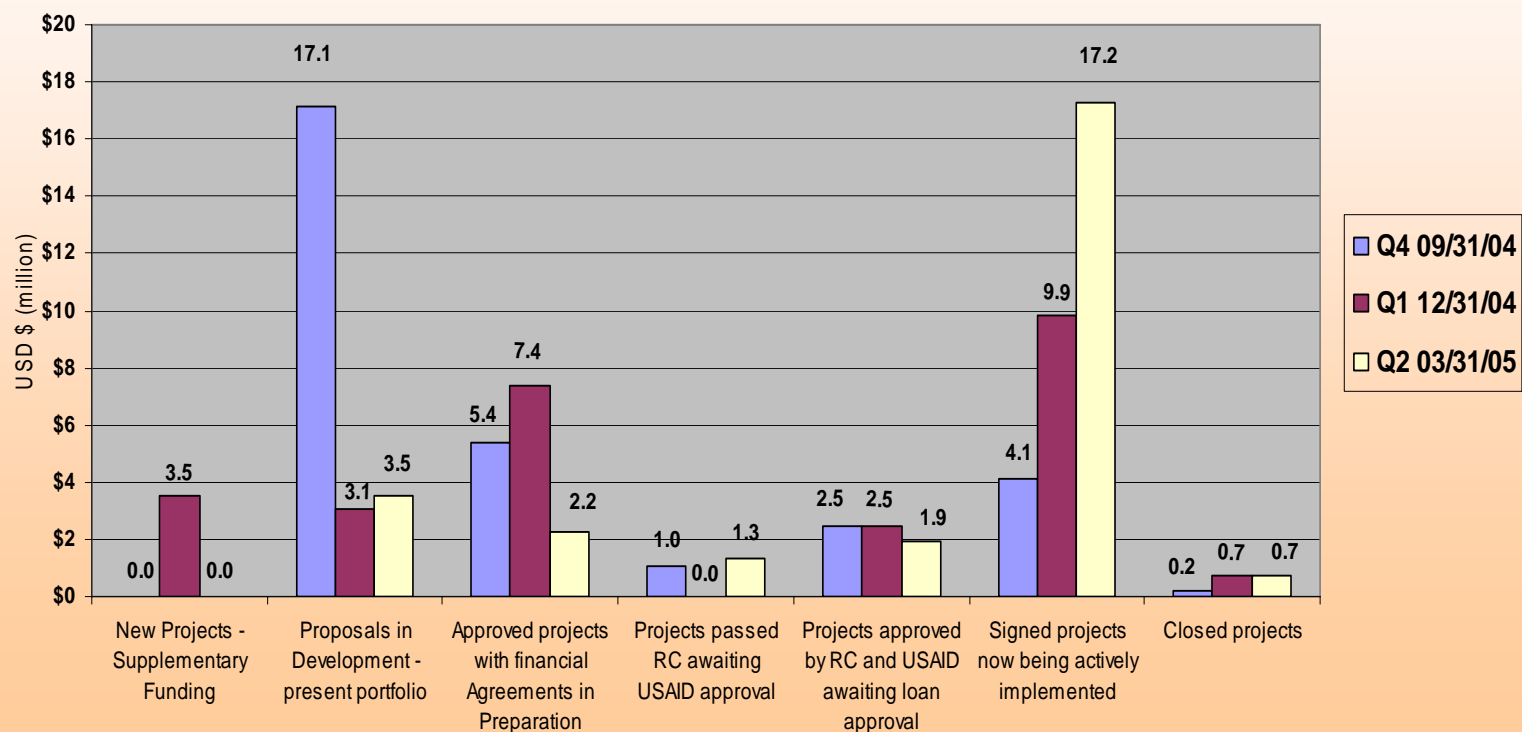
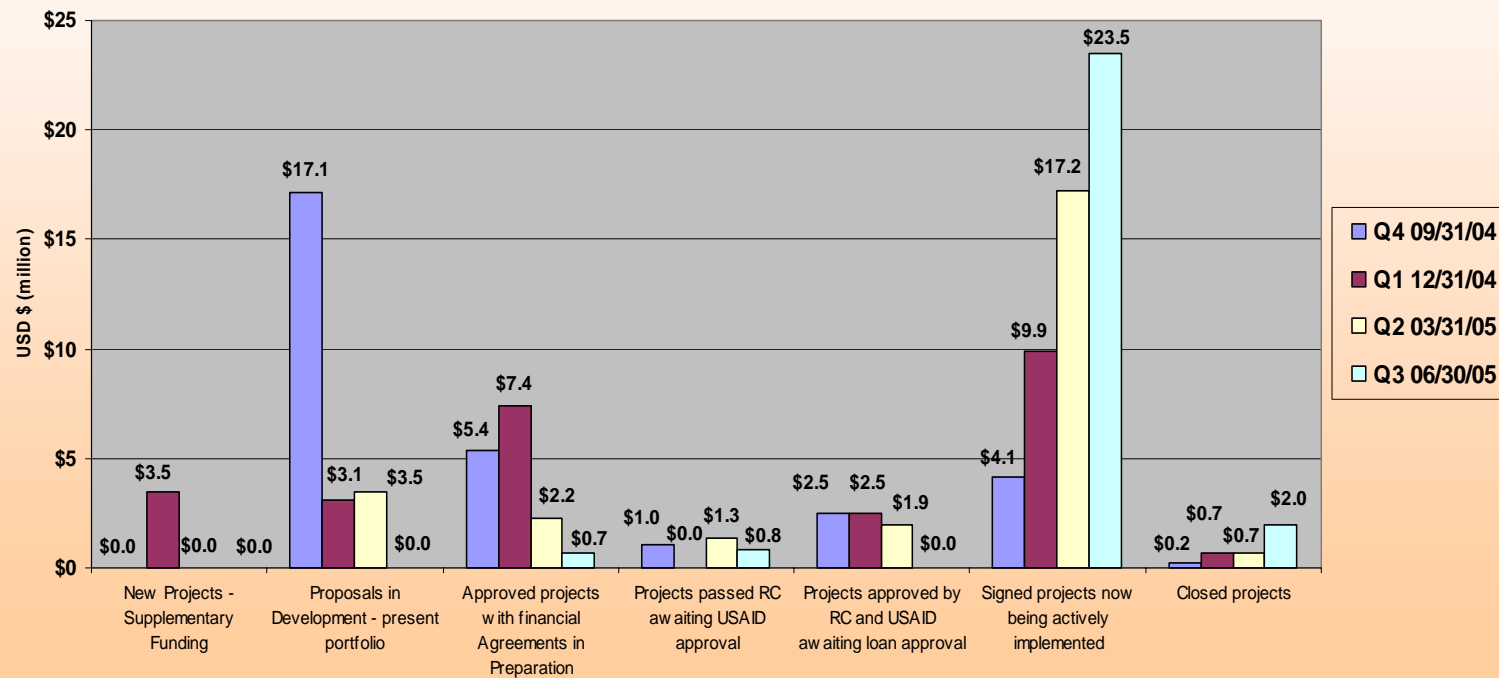


Figure 16 Project Movement

Project status values: end of 4th, 1st, 2nd and 3rd quarters



7. Progress Toward SO2 Goals

7.1. Realized Impact on Key Indicators

Annual crops such as cotton provide an almost immediate impact after Implementation begins in terms of New Hectares planted and Workdays Created. Families Benefiting and Value of Sales generated take somewhat longer. Projects involving tree crops such as cacao, African palm, and fruits require a longer time period for planting, maturity and harvest to take place, and therefore for benefits to be derived such as Value of Sales and increased family income. Since twenty-seven Projects have actually begun implementation as of 31 December, a significant number of projected new hectares (49,975), families (12,158) and workdays (6.2 million) can be reported.

We do not start to receive actual data, especially regarding Workdays and Sales Generated, until M&E reporting begins after all support instruments are signed for a given Project. The data shown below are from the reported results of the twelve Projects that have started reporting information. The next section (7.2) reports Anticipated Impacts from Projects anticipated to be in Implementation by the end of the Second Quarter.

- IR 1.1 – Number of NGO/association implementing AD Activities that are strengthened – 107
- IR 3.3 – Number of families benefiting from licit productive activities in coca areas – 2,547
- IR 3.4 – Number of families benefiting from licit productive activities in poppy areas – 2,347
- IR 3.5 – Number of new hectares of licit crops supported in coca areas – 9,956
- IR 3.6 – Number of new hectares of licit crops supported in poppy areas – 439
- IR 3.71 – Female workdays created by supported Projects – 165,616
- IR 3.72 – Male workdays created by supported Projects – 770,464
- IR 3.8 – Value of sales of supported Projects during the term of CAPP's support– \$6,440,317

7.2. Anticipated Impacts on Key Indicators

7.2.1 Projects Currently in Implementation

For the 27 Projects passed into Implementation by the end of the First Quarter, the following Impacts are anticipated.

- IR 3.3 – Number of families benefiting from licit productive activities in coca areas – 9,448
- IR 3.4 – Number of families benefiting from licit productive activities in poppy areas – 3,080
- IR 3.5 – Number of new hectares of licit crops supported in coca areas – 47,619
- IR 3.6 – Number of new hectares of licit crops supported in poppy areas – 2,356
- IR 3.71 – Female workdays created by supported Projects – 1,263,999
- IR 3.72 – Male workdays created by supported Projects – 4,912,405
- IR 3.8 – Value of sales of supported Projects – \$36,522,388

7.2.2 Projects Anticipated to be in Implementation by the end of the Next Quarter

Assuming the above forecast of Projects that will be in Implementation by the end of the Second Quarter becomes reality, the eventual positive impact of those 31 Projects on Hectares and Families is shown below.

- IR 3.3 – Number of families benefiting from licit productive activities in coca areas – 10,422
- IR 3.4 – Number of families benefiting from licit productive activities in poppy areas – 3,080
- IR 3.5 – Number of new hectares of licit crops supported in coca areas – 52,519
- IR 3.6 – Number of new hectares of licit crops supported in poppy areas – 2,356
- IR 3.71 – Female workdays created by supported Projects – TBD
- IR 3.72 – Male workdays created by supported Projects – TBD

- IR 3.8 – Value of sales of supported Projects – TBD

If these rough projections come to fruition, we forecast achieving 338% of our families' benefited objective, and 274% of our new hectares planted original objectives, with Projects passed into Implementation during the first 23 months of CAPP.

Appendix 1

CAPP Proposal Movement - Qtrs. 4. 1. 2004 - As of 12-31-04, 2004 (1/26/05 - 11:00 am)

Qtr. 4: Ending 9/30/2004 - Project #s					
Order	Imp.	Develop.	Assmnt.	To Inactive	
1	12	1	89	47	
2	23	7	117		
3	25	24			
4	27	40			
5	29	48			
6	31	51			
7	32	52			
8	41	59			
9	50	65			
10	56	80			
11	64	119			
12	79	124			
13	35	127			
14	45				
15	46				
16	82				
17	95				
18	123				
19	125				
20	125P				
21	126				
Totals:	21	13	2	1	
Total Active Projects:	36				

Qtr. 1: Ending 12/31/2004 - Project #s					
Order	Imp.	Develop.	Assmnt.	To Inactive	
1	12	65		47	
2	23	80		1	
3	25	127	(Plan Col.)	7	
4	27			24	
5	29			51	
6	31			59	
7	32			89	
8	41				
9	50				
10	56				
11	64				
12	79				
13	35				
14	45	(Plan Col. Project)			
15	46	(Plan Col. Project)			
16	82				
17	95				
18	123	(Plan Col. Project)			
19	125	(Plan Col. Project)			
20	125P	(Plan Col. Project)			
21	126	(Plan Col. Project)			
22	40				
23	48	(Plan Col. Project)			
24	52	(Securitization Project)			
25	117				
26	119				
27	124				
Totals:	27	3	0	6	
Total Active Projects:	30				

Projected Qtr. 2: Ending 3/31/2005 - Project #s						
Order	Imp.	Closed	Signed	Develop.	Assmnt.	To Inactive
1	12	X		12 - 02		47
2	23		X	25 Ext.		7
3	25		X	27 Ext.		24
4	27		X	29 Ext.		51
5	29		X	41 - 19	(Cotton)	59
6	31		X	89	(Urapalma)	80
7	32		X	131		
8	41	X				
9	50		XX			
10	56		X			
11	64		X			
12	79		X			
13	35		X			
14	45			(Plan Col. Project)		
15	46			(Plan Col. Project)		
16	82		X			
17	95		X			
18	123			(Plan Col. Project)		
19	125		X	(Plan Col. Project)		
20	125P		X	(Plan Col. Project)		
21	126		X	(Plan Col. Project)		
22	40		X			
23	48			(Plan Col. Project)		
24	52		XX	(Securitization Project)		
25	117		XX			
26	119		XX			
27	124					
28	1		XX			
29	65					
30	127			(Plan Col. Project)		
31	130		XX	(Plan Col. Project)		
Totals:	31	2	22	7	0	1
Total Projects in Portfolio:	38					

Notes:

- 1) Double lines w/in the "Order", "Imp." and "Inactive" columns indicate the last projects in those columns of the previous quarters shown on-page.
- 2) Projects #001, #012-02, #025 Ext., #027 Ext., #029 Ext., #041-19, #059, #089, #130, and #131 are proposed for Qtr. ending 3/31/05, per potential addition of US\$3.5 million to CAPP portfolio.
- 3) "XX" denote projects to be signed during the Quarter ending 3/31/05.
- 4) **Bold** projects denote "issue" projects.

Appendix 2

Proposal Status Report as of 12/31/04 CAPP PROPOSAL STATUS REPORT AS OF DEC. 31, 2004

PROPOSAL NUMBER	DESCRIPTION	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	EMPLOYMENT GENERATED (workdays)
IMPLEMENTATION								
12	670 ha. of fruit, for fruit pulp production for Colombian and foreign markets	FRUIT PULP	\$4,827	\$493	10.2%	670	1,005	262,013
23	1,483 ha. of passion fruit near the Atlantic coast	PASSION FRUIT	\$7,038	\$666	9.5%	1,483	813	459,200
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29	135 ha. of chili peppers for export	PEPPERS	\$1,102	\$142	12.9%	135	1,318	511,424
31	1,130 ha. of African palm near Santa Marta	PALM	\$2,072	\$297	14.3%	1,130	111	40,680
32	1,560 ha. of African palm near Santa Marta	PALM	\$2,856	\$223	7.8%	1,560	91	58,500
35	2,000 ha. of African palm in Bolivar	PALM	\$5,657	\$799	14.1%	2,000	200	137,050
40	600 ha of cacao in Huila	CACAO	\$5,743	\$928	16.2%	600	180	137,280
41	4986 ha of cotton, near Valledupar, Cesar	COTTON	\$4,688	\$218	4.7%	4,986	274	322,296
45	2,100 ha. of African palm in Magdalena Medio	PALM	\$5,033	\$1,191	23.7%	2,100	210	83,865
46	1,000 ha. of cacao in La Gloria, Cesar	CACAO	\$4,634	\$1,271	27.4%	1,000	400	240,000
48	510 ha of cacao in Huila	CACAO	\$2,538	\$635	25.0%	510	100	145,656
50	400 ha. of African palm in Magdalena Medio	PALM	\$962	\$146	15.2%	400	100	25,388
52	10,000 ha of African palm trees via 'securitization'	PALM	\$32,284	\$856	2.7%	10,000	1,250	480,000
56	1,132 ha. of African palm in Cesar	PALM	\$3,177	\$257	8.1%	1,132	141	64,786
64	3,054 ha. of African palm, near Tumaco, Nariño	PALM	\$9,803	\$909	9.3%	3,054	436	259,187
79	2,000 ha. of organic cacao near Santa Marta	CACAO	\$7,642	\$780	10.2%	2,000	524	184,500
82	400 ha. of bananas near Santa Marta	BANANA	\$2,821	\$316	11.2%	400	276	52,818
95	250 ha. of tree fruit 'tomate de arbol' in Cauca and Huila	TOMATE DE ARBOL	\$1,161	\$98	8.4%	250	250	55,925
117	1,500 ha of cacao in Antiquia	CACAO	\$ 9,783	\$ 1,308	13.4%	1,500	600	432,000
119	5,000 ha of African palm in Magdalena Medio	PALM	\$11,891	\$1,791	15.1%	5,000	700	493,216
123	1,500 ha. of cacao in Norte de Santander	CACAO	\$6,242	\$1,308	21.0%	1,500	300	279,940
124	1,665 ha of cacao, in Norte de Santander	CACAO	\$7,411	\$1,323	17.9%	1,665	333	519,490
125	4,000 ha. of African palm trees in Tibu, Norte de Santander	PALM	\$12,330	\$2,383	19.3%	4,000	400	412,800
125P	African palm crushing plant near Tibu, to process palm fruit from projects #125 and #126	PALM	\$4,397	\$589	13.4%	-	32	220,320
126	1,500 ha. of African palm in Tibu, Norte de Santander	PALM	\$4,783	\$1,105	23.1%	1,500	150	140,100
TOTAL:		27	163,127	20,405	12.5%	49,975	12,528	6,176,404

CAPP PROPOSAL STATUS REPORT AS OF DEC. 31, 2004

#	PROPOSAL NUMBER	DESCRIPTION	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	EMPLOYMENT GENERATED (workdays)
DEVELOPMENT									
1	65	2,000 ha of industrial yucca (aka 'manioc' or 'cassava') near Barranquilla	YUCCA	\$4,265	\$900	21.1%	2,000	250	NA
2	80	1,723 ha of rubber trees, for natural rubber production	RUBBER	\$3,367	\$880	26.1%	1,723	200	NA
3	127	1,200 ha of cacao, in Norte de Santander.	CACAO	\$5,685	\$1,344	23.6%	1,200	240	NA
		TOTAL:	3	13,317	3,124	23.5%	4,923	690	

CAPP PROPOSAL STATUS REPORT AS OF DEC. 31, 2004

#	ORDER	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	LAST PHASE
INACTIVE UNTIL ACTIONS OUTSIDE CAPP CONTROL ARE TAKEN								
1	1	CACAO	\$5,660	\$500	8.8%	700	350	NA
2	5	PALM	\$ 6,653	\$ 1,200	18.04%	3,000	600	A
3	7	CACAO	\$16,019	\$1,000	6.2%	5,000	3,000	NA
4	8	PALM	\$ 80,000	\$ 800	1.00%	10,000	1,000	A
5	14	PALM	\$ 9,237	\$ 314	3.40%	3,270	1,750	A
6	16	ALCOHOL	\$ 22,261	\$ 680	3.05%	15000	2000	S
7	18	RUBBER	\$ 6,277	\$ 541	8.61%	2,000	200	S
8	19	GUADUA	\$ 2,103	\$ 448	21.30%	640	226	D
9	20	MILK	\$ 11,658	\$ 500	4.29%	1800	600	D
10	22	YUCCA, CORN, BEAN	\$ 633	\$ 72	11.35%	400	50	D
11	24	STEVIA	\$1,384	\$250	18.1%	200	600	NA
12	26	YUCCA AND OTHERS	\$ 2,959	\$ 521	17.61%	1820	455	A
13	33	CACAO	\$ 0	\$ 0	0.00%	0	0	S
14	37	LIVESTOCK	\$ 57,931	\$ 0	0.00%	96,000	400	S
15	38	COTTON AND CORN	\$ 266	\$ 103	38.78%	400	160	A
16	43	PALM	\$ 15,493	\$ 186	1.20%	5,000	1,000	A
17	44	PALM	\$ 2,713	\$ 407	15.00%	1,300	100	S
18	47	CACAO	\$ 1,029	\$ 228	22.12%	600	120	S
19	49	CACAO	\$ 937	\$ 375	40.00%	500	170	S
20	51	PALM	\$2,663	\$565	21.2%	1,000	100	NA
21	53	BEE HONEY	\$ 54	\$ 37	68.89%	0	0	A
22	57	SHIITAKE MUSHROOM	\$ 1,742	\$ 1,000	57.40%	0	800	S
23	58	POTATOE	\$ 2,266	\$ 981	43.29%	775	200	S
24	59	CACAO	\$6,667	\$800	12.0%	1,000	250	188,000
25	60	BLACKBERRY	\$ 318	\$ 166	52.31%	400	300	S
26	62	MACADAMIA NUT AND COFFEE	\$ 3,793	\$ 0	0.00%	2,000	2,000	S
27	67	CORN	\$ 14	\$ 0	0.00%	117	0	S

#	ORDER	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	LAST PHASE
INACTIVE UNTIL ACTIONS OUTSIDE CAPP CONTROL ARE TAKEN								
28	68	COFFEE	\$ 0	\$ 1,993	0.00%	23,360	1,143	A
29	70	SERICULTURA	\$ 170	\$ 120	70.63%	0	260	S
30	73	MIEL DE ABEJA, POLEN DE	\$ 0	\$ 386	0.00%	200	0	S
31	75	YUCCA	\$ 229	\$ 160	70.00%	520	329	S
32	76	IRRIGATION DISTRICT:	\$ 7,257	\$ 214	2.95%	0	0	A
33	77	CITRICS	\$ 749	\$ 438	58.52%	260	228	A
34	81	TILAPIA	\$ 1,539	\$ 345	22.41%	350	60	S
35	87	SESAME	\$ 69	\$ 69	100.00%	1,000	1,000	S
36	88	ASPARAGUS	\$ 1,006	\$ 245	24.36%	90	66	A
37	89	PALM	\$ 6,059	\$ 700	11.6%	1,720	200	NA
38	91	FRUTAS VERDURAS	\$ 1,000	\$ 600	60.00%	900	3,300	S
39	92	DEHYDRATED FRUITS	\$ 0	\$ 0	0.00%	0	0	S
40	93	FRUIT PULP	\$ 295	\$ 135	45.76%	1,080	180	S
41	97	CACAO	\$ 189	\$ 77	40.90%	1,000	300	S
42	100	CENTRO DE INSPECCIÓN	\$ 150	\$ 0	0.00%	0	100	S
43	101	RUBBER	\$ 488	\$ 114	23.36%	80	30	S
44	104	RUBBER	\$ 1,240	\$ 0	0.00%	1,000	280	S
45	105	STEVIA	\$ 498	\$ 192	38.50%	50	150	S
46	106	PALM	\$ 275	\$ 239	86.93%	1,100	200	S
47	109	PALM	\$ 1,104	\$ 64	5.79%	600	20	S
48	110	RUBBER	\$ 468	\$ 47	10.00%	200	40	S
49	111	CACAO	\$ 4,451	\$ 0	0.00%	2,000	0	S
50	112	TILAPIA, CACHAMA BLANCA AND	\$ 397	\$ 144	36.37%	0	0	S
51	118	STEVIA	\$ 497	\$ 393	79.10%	350	0	S
52	121	CACAO	\$ 1,984	\$ 178	8.96%	600	45	S
TOTAL:			52	\$ 290,842	\$ 18,525	6.37%	189,382	

CAPP PROPOSAL STATUS REPORT AS OF DEC. 31, 2004

#	ORDER	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	LAST PHASE
REJECTED OR OTHERWISE REMOVED FROM CONSIDERATION								
1	2	COTTON	\$ 8,832	\$ 951	10.77%	21,276	5,319	D
2	3	STEVIA	\$ 1,346	\$ 862	64.04%	0	0	S
3	4	APPLES	\$ 3,373	\$ 475	14.08%	250	250	A
4	6	TOMATOE	\$ 2,807	\$ 257	9.16%	20	100	S
5	9	YUCCA	\$ 173	\$ 82	47.40%	350	42	A
6	10	IRRIGATION DISTRICT	\$ 22,120	\$ 1,096	4.95%	6,300	289	S
7	11	7 PALM, 1 CAUCHO, 1 CAÑA	\$ 15,314	\$ 71	0.46%	10,250	1,300	S
8	13	TILAPIA	\$ 1,629	\$ 342	20.99%	22	30	S
9	15	COTTON	\$ 7,829	\$ 866	11.06%	8,000	1,000	A
10	17	FORESTAL	\$ 658	\$ 266	40.43%	2,000	93	S
11	21	PLATANO	\$ 1,685	\$ 1,463	86.82%	3,500	1,000	S
12	28	CACAO	\$ 2,388	\$ 1,049	43.91%	400	1,000	S
13	30	COFFEE	\$ 1,089	\$ 718	65.93%	1,500	750	S
14	34	PALM	\$ 1,391	\$ 510	36.67%	1,500	0	S
15	36	FERTILIZERS	\$ 1,128	\$ 0	0.00%	5,850	0	S
16	39	SERICULTURA	\$ 0	\$ 200	0.00%	30	100	S
17	42	MORA	\$ 1,653	\$ 576	34.84%	200	155	S
18	54	CORN, SORGUM, SOY, aji, piña	\$ 0	\$ 0	0.00%	1	180	S
19	55	FORESTAL	\$ 685	\$ 509	74.31%	5,000	80	S
20	61	Esparragos	\$ 0	\$ 0	0.00%	42	55	S
21	63	YUCCA	\$ 229	\$ 229	100.00%	600	400	S
22	66	CORN, SOY	\$ 3,730	\$ 324	8.69%	4,467	1,650	A

#	ORDER	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED	LAST PHASE
REJECTED OR OTHERWISE REMOVED FROM CONSIDERATION								
23	71	BEAN, CORN, tomate de arbol	\$ 0	\$ 51	0.00%	150	60	S
24	72	Tomate, MILK, peces	\$ 0	\$ 121	0.00%	184	50	S
25	74	Panela de guayaba, bocadillo de guayaba, Dulce de guayaba coin manjar blanco	\$ 0	\$ 12	0.00%	8	8	S
26	78	BANANA	\$ 316	\$ 27	8.62%	50	20	FUSION CON No.82
27	83	SPECIAL COFFEE	\$ 275	\$ 193	70.00%	10,000	5,000	S
28	84	FLOWERS	\$ 368	\$ 241	65.61%	25	206	S
29	85	Porcinos	\$ 343	\$ 0	0.00%	136	328	S
30	86	GANADO	\$ 2,105	\$ 0	0.00%	176	0	S
31	90	PALM	\$ 1,917	\$ 152	7.91%	1000	143	FUSIÓN CON No. 125
32	94	MILK BASED PRODUCTS	\$ 147	\$ 60	40.93%	300	150	S
33	96	HARINA DE PLATANO	\$ 72	\$ 15	21.20%	140	224	S
34	98	CACAO	\$ 197	\$ 82	41.66%	90	306	S
35	99	PESCADO AND MARISCOS	\$ 143	\$ 15	10.63%	0	0	S
36	102	HORTALIZAS AND FRUTALES	\$ 205	\$ 173	84.52%	100	67	S
37	103	YUCCA AND CORN	\$ 34	\$ 0	0.00%	30	96	S
38	107	AROMÁTICAS CULINARIAS AND HORTALIZAS	\$ 1,942	\$ 625	32.17%	100	100	S
39	108	CACAO	\$ 196	\$ 0	0.00%	200	200	S
40	114	YUCCA	\$ 196	\$ 24	12.00%	230	85	S
41	115	PALM	\$ 3,391	\$ 278	8.20%	1000	300	S
42	116	CACAO	\$ 1,029	\$ 228	22.12%	200	67	A
43	120	Potatoe, curuba, blackberry, bean, corn, tomate de arbol, tomato, life stock, fish and lulo.	\$ 432	\$ 296	68.48%	350	350	S
44	122	RUBBER	\$ 1,076	\$ 94	8.75%	300	25	S
45	128	CACAO	\$ 6,314	\$ 1,224	19.38%	1700	340	S
45			\$ 98,755	\$ 14,756	14.94%	88,027		

#	ORDER	COMPANY	PRODUCT	TOTAL COST (USD \$000)	CAPP AMOUNT (USD \$000)	CAPP %	HA. DIRECTLY IMPACTED	FAMILIES DIRECTLY IMPACTED
NEW PROBABLE SIGNED AGREEMENTS, MODIFICATIONS, EXTENSIONS								
1	# 001	FEDECACAO	CACAO	\$ 5,660	\$ 500	8.83%	700	350
2	# 12-02	C.I. AGROFRUT S.A.	FRUIT PULP	\$ 3,450	\$ 720	20.87%	850	250
3	# 25 EXT.	CIA. DE EMPAQUES DE MEDELLIN	FIQUE	\$ 1,200	\$ 218	18.17%	400	270
4	# 27 EXT.	EMPAQUES DEL CAUCA	FIQUE	\$ 750	\$ 107	14.27%	250	150
5	# 29 EXT.	HUGO RESTREPO Y CIA.	PEPPERS	\$ 720	\$ 150	20.83%	150	425
6	# 41-19	FINAGRO COTTON	COTTON	\$ 14,180	\$ 800	5.64%	13,000	600
7	# 89	URAPALMA	PALM	\$ 6,059	\$ 700	11.55%	1,720	200
8	# 130	ASOGPADOS	PALM	\$ 3,438	\$ 51	1.48%	1,000	134
9	# 131	ASOCATI	CACAO	\$ 5,233	\$ 813	15.54%	1,000	334
TOTAL:			9	\$ 40,690	\$ 4,059	10%	\$ 19,070	\$ 2,713

Appendix 3

Projections of Departments and Municipalities Benefited

Department	Municipalities	# of Municipalities
Antioquia	Marinilla, Retiro, Santa Barbara, Sopetran, La Ceja, Rionegro, Retiro, Amalfi, Yolombó, Alejandria, San Rafael, Barbosa, Medellín, Montebello, Támesis, Bajira and Maceo.	17
Atlántico	Manatí and Palmar de Varela	2
Bolívar	San Pablo, Simití, María La Baja, Río Viejo, Regidor and Monterrey.	6
Caldas	Anserma, Belalcazar, Manizales, Neira, Río Sucio, San José de Risaralda, Villamaria, Viterbo, Aguadas, Pácora, Salamina, Aranzazu, Palestina, and Paez	14
Cauca	Cajibío, Caldono, Morales, Plendamó, Popayán, Santander de Quilichao, Silvia, Sotará, El Tambo, Totoro, Caloto, Dominguito, Padilla, Puerto Tejada, Villarica and El Ortigal.	17
Cesar	Becerril, Cadazzi, Copey, Curumani, La Paz, Pailitas, Pueblo Bello, Urumita, Valledupar, San Diego, La Gloria, Aguachica, San Alberto, San Juan de Chiriguana, La Jagua de Ibirico, Bosconia and San Alberto	17
Córdoba	La Apartada, Planeta Rica, Pueblo Nuevo, Los Cordoba, Sahagun, Montelibano, Valencia and Tierra Alta.	8
Guajira	Riohacha, Fonseca, El Molino, Jagua del Pilar, Villanueva, Maicao, San Juan del Cesar and Dibulla, Choles, Matitas, Jagua del Pedregal and Distracción.	11
Huila	Teruel, Isnos, Targui, La Plata and Yaguará	5
Magdalena	Aracataca, Cienaga, Fundación, Santa Marta, Zona Bananera, Riohacha, El Retén Plato, Tigreras, and Pueblo Viejo.	9
Nariño	Pasto, la Unión, Imués, Providencia, Samaniego, La Florida, Consaca, San Bernardo, San José Albán, San Pablo, San Lorenzo, San Pedro de Cartago and Tumaco	13
Norte de Santander	Tibú, Sardinata, Zulia and Puerto Santander	4
Quindío	Armenia, Quimbaya and Montenegro	3
Risaralda	Belen de Umbria, Pereira and Santuario	3
Santander	Landázuri, Rionegro, San Vicente de Chucurí, Puerto Wilches, Barranca, Carmen de Chucurí, Barrancabermeja, Sabana de Torres, Cimitarra and Bolívar	10
Sucre	Betulia, Corozal, Los Palmitos, Ovejas, San Onofre, Since, Sincelejo and Tolu Viejo	8
Tolima	Chaparral and Santa Isabel	2
Valle del Cauca	Andalucía, Caicedonia, Dagua, Jamundi, La Cumbre, La Union, La Victoria, Santander de Quilichao, Río Frio, Roldanillo, San Pedro, Tulua, Versalles, Viges, Yotoco, Yumbo, Argelia, Cairo and Trujillo	19
Meta	Cumaral	1
Casanare	Villanueva	1
TOTAL MUNICIPALITIES		170

Appendix 4

Overview of Projects Previously Passed Into Implementation

Patrimonios Autonomos Cotton - #041

This Project supports the ORGANIZACIONES DE PRODUCTORES (Producer Associations) to plant **4,989 new hectares** of cotton in northern Cesar, and southern Guajira, in the municipalities of Valledupar, Villanueva, Codazzi, Maicao, San Juan del Cesar, El Molino, La Jagua, San Diego and Becerril. It is benefiting **273 families**, and is generating 309,300 workdays.

The total cost and financing sources are Finagro \$2,887,000 (65.1%) in credit, the producers' own in-kind resources \$1,328,000 (30%), and CAPP \$218,000 (4.9%), for a total investment of \$4.4 million.

Management of the Project is being done through the 9 Producer Associations, each having an operator who offers technical assistance and provides administrative and logistic support. CAPP pays the operator's expenses. CAPP's support will also cover the expenses of production technical assistance, supervision and logistic support, a FAG Guarantee by Finagro, and forward sales contract and Fiduciary costs. Both Finagro and CAPP funding are channeled through patrimonios autonomos (trust accounts) administered by a fiduciary.

The total expected production is 3,659 tons of seed cotton, sold through forward contracts subscribed with Diagonal S.A., Colombia's main cotton buyer, and 5,367 tons of seed to be sold to the edible oils and animal feed concentrate industries. **Producer net income is anticipated to average \$5,000 per family.**

African Palm Projects – #031, #032, and #056

C.I. EL ROBLE S.A., C.I. TEQUENDAMA S.A., and GRADESA S.A. will develop, under strategic alliances with associations of small farmers, a total of **4,422 new hectares** of African Palm trees in the municipalities of Zona Bananera of the department of Santa Marta, El Retén and Aracataca in the Department of Magdalena, and the municipalities of El Copey and Chiriguaná in the Department of Cesar. Fundalianza, a non-profit foundation, will manage all three Projects. Twelve associations will participate with a total of **413 families**, and will use credit resources from Finagro via Banco Agrario.

The total value of the three Projects is \$8.1 million. Banco Agrario – Finagro will finance \$5.9 million, farmers will contribute \$1.4 million in labor, and CAPP will contribute \$788,000 for technical assistance to plant and manage the trees, as well as entrepreneurial training to growers provided by Fundalianza. Sale of the crop is guaranteed via long-term (25-year) contracts with palm oil processing plants.

As a part of these three Projects, 1,130 hectares of organic African Palm will be planted, with full technological, agricultural and marketing support provided by C.I. Tequendama, traditional exporters of organic products.

During the pre-production stage, each producer receives the equivalent of \$10.30 per month for each hectare planted, for his/her labor to maintain the trees, and is assisted technically and commercially in the development of short-term crops. This will allow them to have enough income to satisfy their family needs until the palm trees start producing. **Net income to farmers is estimated at \$4,138 per year** when the plantations are in full production.

Agrofrut - #012

C.I. AGROFRUT S.A. is located in Medellín, and processes and markets frozen fruit pulp. The company's annual sales are currently \$3.7 million, and their processing capacity is 3,000 tons. Due to an increase in international orders, a new production facility needs to be built, and their raw fruit supply increased.

The new facility is being constructed in the Municipality of Estrella, near Medellín, and will have the capacity to process 10,000 tons of products per year. In order to reach this production level, new plantings of more than 1,180 hectares of fruits and vegetables need to be made. The crops being planted are passion fruit, "lulo", blackberry, papaya, yucca (cassava), various vegetables, strawberry, "criolla" type potatoes, "black" type potato, and sour sop tree fruit (Guanábana). These increased plantings will be accomplished via strategic alliances with associations of small producers in 28 municipalities and 8 departments.

AGROFRUT will invest **\$6.5 million** in the new plant. CAPP will support the Project with **\$827,000** in technical assistance for the planting of the new crops, and to help design the new processing and packaging plant. Private banks will provide loans for constructing and equipping the new plant. AGROFRUT will support the expansion of agricultural production by cash advances against future sales, and providing producers with high quality raw materials at competitive prices via bulk buying.

During CAPP's current term, **670 new hectares** will be planted and **1,005 new families** will benefit via an **average monthly income increase of \$165**, or 42% more than the minimum monthly salary in Colombia.

CEA - #023

Compania Envasadora del Atlantico Ltda. (CEA), of Barranquilla is the proponent of this Project. CEA has been in the food processing business for more than 20 years, and in the fruit pulp export business for the last 9 years.

The Project involves the planting of 1,483 hectares of passion fruit (a.k.a. "maracuya"), to be used by CEA for the production of juice concentrate. The planting will occur in 24 municipalities in the five departments of Cesar, Guajira, Cordoba, Sucre, and Magdalena, providing direct employment to 813 families. The Project also involves the expansion of CEA's existing plant, in order to process the incremental fruit created by the Project.

CEA is acting as both the Project integrator and proponent, providing grower associations with forward contracts for all production from the Project. CEA will therefore provide an assured market for 100% of the Project's agricultural output, secure a supply of fruit for their fruit pulp business, and expand their fruit pulp processing plant.

Ninety six percent of CEA's production is exported, with shipments going primarily to the US, the EU and Asia. CEA has developed a strong position in the international fruit pulp market via the use of local, high quality mango. With this Project it is expanding into the passion fruit pulp business, based on requests from its international customers.

CEA has selected Fundacea, a CEA subsidiary, as the program operator. Fundacea has been the operator for all three of CEA's agricultural production programs.

The program is financed by a number of entities, including the individual fruit growers (US\$2.1 million), Finagro (US\$1.0 million), CEA (US\$3.0 million), CAPP (US\$ 698,000), and other public and private entities (US\$69,000). Total investment Project investment is US\$6.9 million.

Eighty percent of the Finagro US\$1 Million loan to 14 producer associations is guaranteed by the Colombian government, and the remaining 20% is guaranteed by CEA.

Hugo Restrepo - #029

Restrepo contracts with small farmers to grow chili peppers, which it then processes into a paste for producers of Tabasco, and other chili-type sauces. The paste is sold to overseas customers in the US, Europe and the Middle East on long term (one year and greater) contracts. These customers then use the paste to make retail chili sauces.

Restrepo has decided to increase its sales by expanding production and creating retail products. To do so the company will invest in new production plant and equipment, and significantly broaden its base of contract farmers. Restrepo has asked CAPP to assist in this Project by supporting the cost of the new plant design and machinery layout, as well as technical assistance and training of both the workers in the new plant, and the new contract growers.

The Project will result in the employment of **1952 families**, plus **135 new hectares** of chili production. The high number of families employed is a function of the labor-intensity of chili pepper production. Total Project impact, including activities that will take place after CAPP's current term, will be greater than 3,000 families and 300 hectares.

CAPP is contributing **\$148,000** to the Project, Restrepo is investing \$267,000, and the growers will contribute an additional \$645,000 for a total Project cost of **\$1,060,000**.

Ecobio - #079

The objective of this program is to plant 2,000 hectares of organic cacao in the Sierra Nevada region, near the Colombian city of Santa Marta, in the Departments of Magdalena, Cesar and Guajira; plus the construction of a cacao processing plant in Santa Marta.

524 families will directly benefit via the participation of ten grower associations. The goal of the program is to organize and train the growers, via their associations, on how to profitably and sustainably manage their individual cocoa plantations, thereby creating an incentive for them not to become involved in the production of illicit crops.

The new plantings will be developed via a strategic alliance between Ecobio and the grower associations that will plant, through 2004, a total of 2,000 new hectares of organic cacao.

The total cost for the program, including CAPP participation, will be US\$7.9 million. Finagro will finance 41% of the project via a loan to growers with an interest rate of DTF + 2%. The total cost of the program includes an investment of US\$3.1 million for the construction of the cacao processing plant.

The growers will provide 10% of the total program cost in-kind, or \$800,000, by providing labor to both plant and maintain the individual farms. CAPP will provide the remaining 10%, or \$780,000.

Ecobio has signed a 12-year purchase contract with the grower associations for all the production produced by this Project. A contract of this type is mandatory for Finagro to finance the Project. To process all production from the 2,000 hectares, Ecobio will build a plant in Santa Marta to produce cocoa powder, cocoa butter and cocoa liquor.

Cooproagrosur #050

The growers' cooperative Cooproagrosur is the proponent of this Project. Cooproagrosur's goal is to eradicate illicit crops and reduce unemployment in the area by helping to provide viable alternatives to growers. In total 100 families are members of Cooproagrosur. The objective of this Project is to plant 400 hectares of African palm in the municipality of Simití, Department of Bolívar. One hundred families will directly benefit via their participation in Cooproagrosur. The Project approach is to organize and train the growers, via their cooperative, on how to profitably and sustainably manage their collective palm plantations, thereby creating incentives for them to either desist from growing, or not become involved in the production of illicit crops.

Total Project investment for the 400 hectares, including CAPP's participation, will be \$848,972. FINAGRO will finance 67% of this amount via a loan. CAPP's commitment will be to provide US\$63,519 – or 7% of the Project cost - to pay agricultural and administrative technical assistance, FAG costs, loan approval coordination, and fiduciary services. CAPP's support will be provided via a PO to the Cooproagrosur. Palmeras de Puerto Wilches, a palm-fruit processing company located near the cooperative's plantation, has provided a letter of intent to purchase 12-year's worth of annual production, at prevailing market prices. A contract of this type is mandatory for the Finagro FAG, to ensure that the Project has an assured market for its produce.

Cordeagropaz #064

Cordeagropaz is the proponent of this Project and currently works as an operator with seven African palm grower associations in the region of Tumaco. The objective of the Project is to plant 3,053 hectares African palm trees in the municipality Tumaco, department of Nariño. Four hundred thirty six families will directly benefit. The Project approach is to organize and train the growers, via their associations, how to profitably and sustainably manage their individual palm plantations, thereby creating incentives for them either to desist from growing or not to become involved in the production of illicit crops.

The growers will provide 19% of the \$6.7 million total Project cost “in kind” by providing labor to plant and maintain their individual farms. CAPP will provide funding for the remaining 9% of total Project cost. CAPP's commitment will be to provide US \$857,000, or 13% of Project cost via a standard contract. The palm fruit processing plants involved in the Project have signed a 12-year purchase contract with the grower associations for all of the production produced in this Project. A contract of this type is mandatory for Finagro to guarantee the commercial bank financing of the Project.

Compania de Empaques S.A. - #025

The objective of this project is to plant 800 new hectares of fique, in very small plots (often along fence rows) on a total of 4,000 hectares at a density of 800 plants per hectare. These plantings will occur in 38 Colombian municipalities in the departments of Antioquia, Caldas, Risaralda and Nariño.

A total of 1,334 families will directly benefit from this project, and will receive training to manage their individual fique farms efficiently, profitably and sustainably.

CAPP will provide US\$235,634 to Compania de Empaques (CdE) via a Standard Grant. The amount of CAPP support per hectare (800 in total) is US\$295 and per family (1,334 families in total) is US\$177. CAPP is providing nearly 19% of the project cost via support for production technical assistance and training. The CAPP's participation percentage expressed below is calculated over the entire three year pre-production period. The project does not involve any financial institutions.

CdE will provide assistance equivalent to 21% of the total project cost. As part of this support, CdE will pay for half the cost of the nursery plants, de-fibering machines, wash basins and drying structures, and

selected agricultural tools. CdE will also pay for over half of the project's Technical Assistance needs, as well as costs associated with the provision of local de-fibering stations.

CdE is managing the project so will be responsible for contracting and managing the agricultural and managerial technical assistance to fique growers. CdE will buy one hundred percent of the fique fiber produced under this project via purchase agreements. **Producer net income is estimated at US\$1,045 per year.**

Empaques del Cauca S.A. - #027

The objective of this project is the planting of 600 new hectares of fique, in small plots, across a total of 1,500 hectares, at a density of 1,500 plants per hectare. The plantings will occur in eleven municipalities of the Department of Cauca.

Empaques del Cauca (EdC) is the proponent and operator of the project, and is responsible for contracting agricultural and managerial technical assistance to growers. It has also committed, via purchase contracts, to buy all fique fiber production created by the project, and to pay for the transport of all fiber from the farms to its fique gathering centers. EdC also owns fique plant nurseries that will provide young plants to be transplanted on the producers' farms.

Purchase contracts will be signed between EdC and the growers. Growers will contribute 66% of the total project investment via labor and the provision of supplies such as organic fertilizer. EdC will finance 21% of the investment in the form of supplies such as nursery materials, technical assistance, tanks for the washing of raw fique, and the fique plants themselves.

CAPP will contribute 13% of total project costs, to go toward seed certification, soil analysis, fique production technical assistance, training workshops, brochures (manuals) and booklets. (CAPP's participation percentage has been calculated over the entire period of pre-production investment. Over the period of CAPP's twelve month fixed obligation grant however, CAPP's percentage contribution is 24%). CAPP will provide the equivalent of US\$136,749 (COP\$366,771,400) to EdC via a Fixed Obligation Grant (FOG). The amount of CAPP support is US\$228 per hectare (600 hectares total), and US\$137 per family (1,000 families in total). **Producer net income is estimated at US\$903 per year.**

Compañía San Pablo - #035

The objective of this Project is to plant 2,000 hectares of African palm trees, directly benefiting 200 grower-families (plus an additional 70 working families who will provide labor to the farms), for a total of 270 families benefiting directly. The Project proponent and operator is "Compañía Palmera de San Pablo, Sur de Bolívar S.A. ("Cia San Pablo"). This organization will directly manage 3,000 hectares of African palm, of which CAPP will provide support for 1,000 hectares. The company has been created specifically to serve as the operator of this Project, and has passed a CAPP-performed PARD/PAS.

A second African palm project management company, "Compañía Palmera de Simití, Sur de Bolívar S.A." ("Cia Simiti"), will directly manage a second 3,000 hectares, of which 1,000 hectares will be supported by CAPP. This company has also been created specifically for this Project.

CAPP will provide US\$798,376, or 13.4% of total funding, to Cia San Pablo via a grant with a 36 month term. These resources will be used to pay for project coordination, training, technical assistance, a processing plant feasibility study, environmental training and the creation of environmental training manuals.

Palmares el Portico Ltda. - #045

The objective of this former Plan Colombia project is to plant 2,100 new hectares of African palm trees in the three municipalities of San Vicente de Chucurí, Barrancabermeja, and Sabana de Torres, all in the Department of Santander, ultimately directly benefiting 210 families. The project will organize and train the growers, via their associations, on how to profitably and sustainably manage their small, individually-owned African palm plantations, thereby creating incentives for them to either desist from producing, or not be become involved in the production of, illicit crops. Three different grower associations are participating in this project, the members of which will provide the land where the farms will be developed, plus in-kind labor to plant and maintain the plantations.

CAPP will provide US\$1,190,590, equivalent to 23% of the total project cost, to Palmares via a Standard Grant, with a three-year term. CAPP's support will be used primarily for overall project coordination, technical, managerial, and interpersonal training, the costs of studies, the cost of FAG guarantees, fiduciary services costs, and loan approval coordination.

Cacao del Cesar - #046

The objective of this former Plan Colombia project is to plant 1,000 hectares of cacao in the municipality of La Gloria, in the department of Cesar. Four hundred families will directly benefit via the participation of three grower associations: Asotramata I, II and III. The goal of the project is to organize and train the growers, via their associations, and under the direction of the project operator Cacao del Cesar, on how to profitably and sustainably manage their individual cacao plantations on their own land, thereby creating an incentive for the growers not to become involved in the production of illicit crops.

CAPP will provide US\$1,271,336, or 27.2% of total project cost, to Cacao del Cesar via a Standard Grant with a three-year (36 month) term. CAPP's support will be primarily for project coordination, and community, interpersonal, technical, and managerial training; the cost of FAG guarantees, fiduciary services, loan approval coordination, and 25% of the cost of the nursery plants.

Asbama - #082

The objective of this project is to plant 400 hectares of Williams variety bananas in the Colombian municipality of Zona Bananera, in the Department of Magdalena. Sixteen families will directly benefit via their participation in the grower association Asbama. An additional 260 working families will also benefit directly via their involvement in the project, for a total of 276 families benefiting directly.

The project approach is to organize and train the growers, via their association, on how to profitably and sustainably manage their individual banana plantations, thereby creating an incentive for them to either desist from growing, or not become involved in the production of, illicit crops.

In total, 80 families, who own a total of 2,500 hectares of production, are members of Asbama. Sixteen of these families will participate in this particular project as association members and farm owners, who in turn will hire an additional 260 workers who will directly benefit from the project.

CAPP's commitment will be to provide US\$316,151, or 11% of the cost of this phase of the project. CAPP's support will be used to pay part of the interpersonal, technical and managerial training, technical assistance, and labor adjustments.

Frutimacizo S.A. - #095

The objective of this Project is to plant and market the production of 250 new hectares of Tamarillo (a type of tree tomato) in the municipality of Sotará, department of Cauca, and the municipality of Isnos, Department of Huila. A total of 250 families will benefit from this project. In the near term, the fruit will

be sold fresh to wholesalers in Cali (Department of Valle del Cauca) and Ipiales (Department of Nariño), and in the medium-term will be exported to Ecuador, Peru and Panama.

The Project approach is to organize and train the growers, via their associations, on how to profitably and sustainably manage their Tamarillo plantations, so as not to become involved in the production of illicit crops.

Frutales del Macizo Colombiano S.A. (Frutimacizo) is the Project proponent. By promoting Tamarillo production and sales, Frutimacizo is promoting the economic and social development of the municipalities of Sotar and Isnos.

CAPP’s total support for this Project will be US\$97,720, of which US\$87,955 will be disbursed during the pre-productive Project phase (in 2004) and US\$9,765 during the first two months of production (in July and August, 2005).

Fundescat - #123

The objective of this former Plan Colombia project is to plant 1,500 hectares of cacao in the five municipalities of San Jose de Ccuta, El Zulia, Tib, Puerto Santander and Sardinata, in the department of Norte de Santander. Three hundred families will directly benefit via the participation of four grower associations: Asocaps, Asocamar, Asocapaca, and Asocagua. The project operator will be the NGO, Fundescat. The goal of the project is to organize and train the growers, via the above associations on how to profitably and sustainably manage their individual cacao plantations on their own land, thereby creating an incentive for them not to become involved in the production of illicit crops.

CAPP will provide US\$1,308,191, or 21% of total project cost, to Fundescat via a Standard Grant with a three-year (36-month) term. CAPP’s support will be used primarily for the cost of project coordination; community/interpersonal, technical, and managerial training; and the cost of FAG guarantees, fiduciary services, loan approval coordination, and 25% of the cost of the nursery plants to be used in the project.

Asogpados - #125

The objective of this former Plan Colombia project is to plant 4,000 new hectares of African palm, benefiting 400 families in the Municipalities of Tib, and Sardinata, in the department of Norte de Santander. The project will organize and train the growers, via their grower associations, on how to profitably and sustainably manage their small, individually-owned African palm plantations, thereby creating incentives for them to either desist from growing, or not be become involved in the production of, illicit crops. The recipient of CAPP’s grant for the project is Promotora Hacienda las Flores (“Promotora”), which will receive a grant for a 36 month term. The project operator is the grower association Asogpados. Members of five different grower sub-associations participating in this project will provide the land where the farms will be developed, and in-kind labor to plant and maintain the plantations.

CAPP will provide US\$2,382,491, or 19% of the total project cost, to Promotora via a Standard Grant with a three-year term. CAPP’s support will be primarily for project indirect costs such as overall project coordination, social, technical, managerial and entrepreneurial training, FAG costs, fiduciary costs and loan approval coordination, and land preparation.

Promotora Hacienda de las Flores - #125 P

The objective of this former Plan Colombia Project is to construct an African palm fruit crushing plant which will ultimately, over a five year period, reach a 45 ton/hour capacity to press the fruit of 6,500 new hectares of African palm trees. One thousand hectares were planted in 2003 as part of a Chemonics’ project, with the proponent Asogpados. Four thousand of hectares will be planted via the proponent Asogpados as CAPP project #125, and 1,500 hectares will be planted via the grower association Estam, as CAPP project #126. The Project will provide an opportunity for CAPP-supported grower associations to

receive additional income, via their participation as minority stockholders in the new crushing plant. This income will create an additional incentive for growers not to grow, or become involved in, the production of illicit crops.

CAPP will provide US\$588,477, or 13% of the total Project cost, to Promotora via a Standard Grant, with a 36 month term. CAPP funds will be used for site selection, environmental studies, and plant engineering design costs. These CAPP-provided funds will be shown on the processing plant accounting "books" as a grower investment, for which shares in the plant will be provided to the growers via their associations.

Estam - #126

The objective of this former Plan Colombia project is to plant 1,500 new hectares of African palm trees, directly benefiting 150 families in the Municipality of Tibu, in the department of Norte de Santander. The project will organize and train the growers, through their grower associations, on how to profitably and sustainably manage their small, individually-owned African palm plantations, thereby creating incentives for them to either desist from growing, or not become involved in the production of illicit crops. Members of the two grower associations participating in this project will provide the land where the farms will be developed, as well as in-kind labor to plant and maintain the plantations.

CAPP will provide US\$1,104,577, or 23% of the total project cost, to Promotora via a Standard Grant with a three-year term. CAPP's support will be primarily for project coordination, land preparation, interpersonal, technical, and managerial training, the cost of FAG guarantees, fiduciary costs and loan approval coordination.